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OF THE

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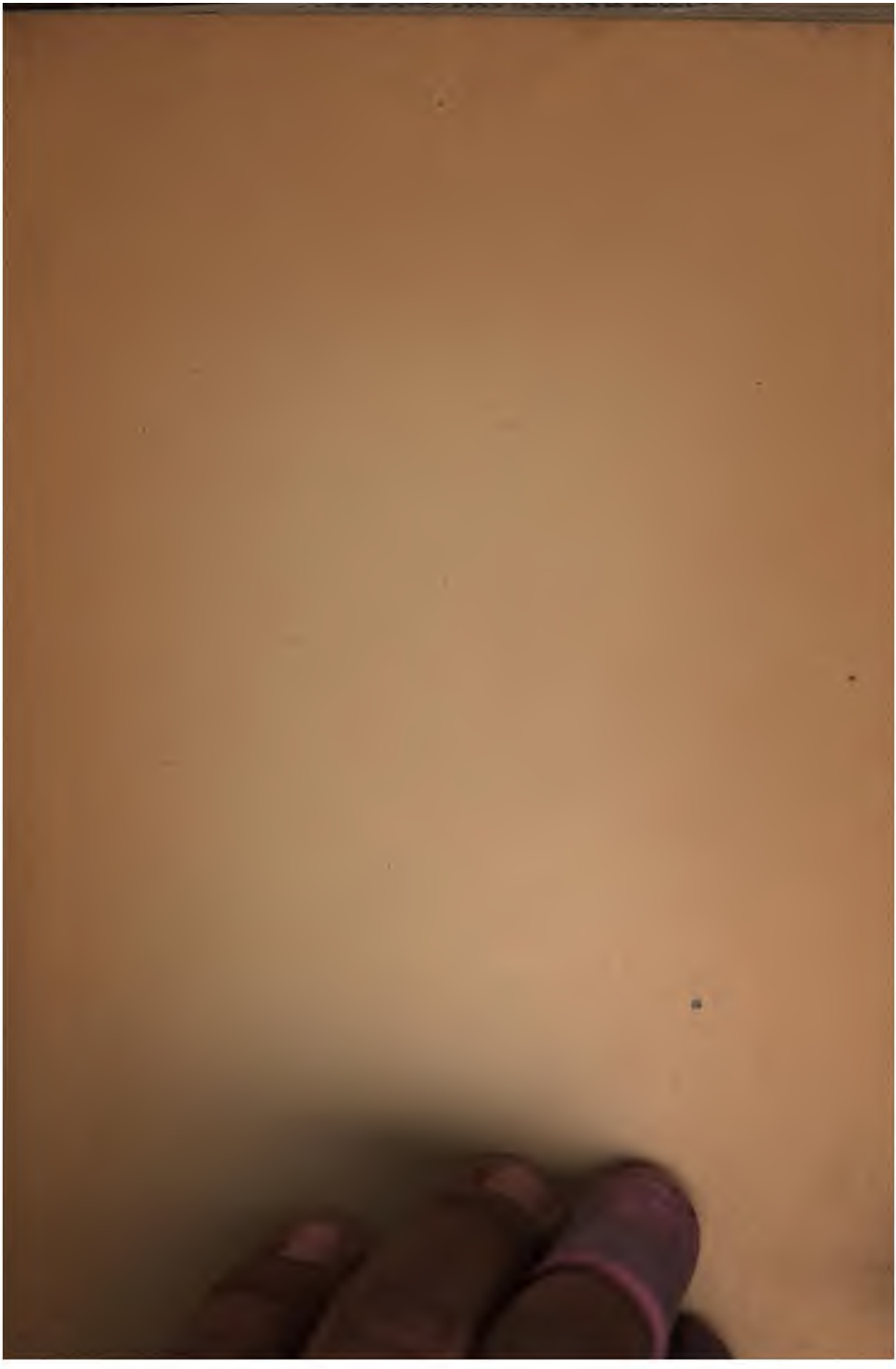

KEY

TO THE

RULES OF THE STOCK EXCHANGE

EMBODYING A FULL EXPOSITION OF THE THEORY AND PRACTICE OF BUSINESS IN THE "HOUSE"

BY

FRANCIS CHISWELL.

"OPERTA RECLUDIT"

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ADDENDUM.

While the work was at press two alterations were made in the Rules.

Rule 76 now reads:—

All optional bargains for the Consols Account shall be declared at a quarter before Three o'clock two days before the Account Day.

Optional bargains made for a Foreign Settlement shall be declared at a quarter before Three o'clock on the day before the first Making-up day, or at a quarter before One o'clock should that day fall on a Saturday.

Options for any other day must be declared at a quarter before Three o'clock, or on Saturdays at a quarter before One o'clock.

Rule 94, clause 3, now reads:—

A Member receiving a Ticket from the issuer after Twelve o'clock on the Ticket Day, or for securities dealt in in the Mining Markets after Two o'clock on the preceding day, shall note the fact on the back of the Ticket; and a Member receiving a Ticket after Three o'clock on the Ticket Day, or for securities dealt in in the Mining Markets after Six o'clock on the day before the Ticket Day, or at any time on any subsequent day, shall mark the exact time at which such Ticket is received.

It is also required that the holder of a Ticket at

1 o'clock,
1.30 „
2 „
and 2.30 „

on the Ticket Day, or for securities dealt in in the Mining Markets at Two o'clock, and at every half-hour up to 5.30 o'clock on the day before the Ticket Day, shall endorse such times on the back of the Ticket.

KEY TO THE RULES OF THE STOCK EXCHANGE.

INTRODUCTORY.

"The Stock Exchange does not recognise in its dealings any other parties than its own Members"; (Rule 53), but it cannot be said that the Public reciprocates the indifference implied in this announcement. The Rule goes on to declare that "every bargain, therefore, whether for account "of the Member effecting it, or for account of a principal, "must be fulfilled according to the Rules, Regulations, and "usages of The Stock Exchange." In view of the latter clause, nothing could be better calculated to arouse a public interest in the methods of The Stock Exchange than the doctrine of the first clause, ignoring—as it apparently does —the status of the public in dealings effected on the public behalf. The law of the land may override Rule 53, but for peace of mind the private operator will desire to examine the Rules, Regulations, and Usages, which, in the eyes of The Stock Exchange, constitute a term of any contract into which he may enter through the medium of that institution.

If he be not professionally connected with the "House," a perusal of the printed Rules will not only afford him considerable information, but will serve to sharpen his curiosity. Indeed, the same result is likely to ensue even in the case of one who follows The Stock Exchange as a profession, unless he happen to have made already a scrupulous study of the book or to have experienced in the course of a chequered career more than the ordinary vicissitudes of the calling.

For the Rules of The Stock Exchange are of a highly

technical character, and in certain instances are only intelligible to a reader who has correlative knowledge of the usages. The aim of the present work is to bring the Rules within the apprehension of all, and to add to the veneration which they already command the crowning grace of popularity.

But not only is a commentary called for on the grounds of technicality: there are, besides, certain anomalies and irregularities which demand the commentator's asterisk. It would indeed be small wonder if in a code of some two hundred rules—many of them regulating difficult operations down to the minutest details—there were not to be found, mixed with much that is excellent, a few imperfections. In the Rules of The Stock Exchange we have the faultless and the faulty. Every student of them will be struck with the vast experience, the penetration, the foresight, and the fairness, which, as a whole, they exhibit. He will pronounce them a monument of patience and common sense. But he will perceive that they are not the work of one mind or of one period; he will recognise in them a joint production, and rather the fruit of a gradual evolution than the instant offspring of the lawgiver's invention. He will thus account for their inequality, and while describing the general tenor of the Code as excellent, he will feel that its constituent members are in cases open to discussion. For here and there may be found instances of inaccuracy, of obscurity, of ambiguity, of inconsistency, of redundancy, and of omission, but above all, of divergence from prevailing custom. And out of this last circumstance arises the important question—In what shall the Rules of The Stock Exchange govern, in what be subject to, its customs?

The conflict between the two forces has frequently given rise to dispute, and it is obvious that the more nearly the official regulations are made to harmonise with the unchallenged usages of the House, the greater will be their utility.

Traditions and customs again are more difficult to acquire

than recorded rules, and their authority is more vacillating, so that, in cases where the latter do not exist at all, even the most experienced persons may find themselves at fault in determining a question of procedure.

As an illustration of the discrepancies alluded to, Rule 89 (relating to securities deliverable by deed of transfer) may be cited. It provides that bargains in stocks and shares, when no time is specified, shall be considered as made for the existing Account; but that those made after One o'clock on the first Making-up day shall, unless otherwise specified, be for the ensuing Account. Up till October, 1901, the Rule declared that bargains should be considered as made for the existing Account unless made after One o'clock "on the day before the Ticket-day," when they should be for the ensuing Account. As indicated in the special observations upon Rules 89, 94, and 109, the expression "first Making-up day" in the new version of the Rule is indeed some improvement on "day before the Ticket-day" in the older version, but (even overlooking its objectionable ambiguity) it is not at all a complete correction.

For, in the case of mining shares, at least, custom seems to hold that those bargains only which are made before 12 o'clock on the mining Carry-over day (or first Making-up day)—*i.e.*, Two days before the Ticket-day—shall rank for the existing Account, whilst bargains made after 12 o'clock shall *ipso facto* be booked for the ensuing Account. This custom is so fully established that Rule 89, although no doubt strictly enforceable, has, in so far as it is intended to regulate transactions in the mining market on the first Making-up day been practically superseded by it. By the new version of Rule 89 the discrepancy between the Rule and the custom has been reduced in magnitude, but as it has not been altered in character, and as admission of the custom's reasonableness has actually been made by the modification of the Rule, such discrepancy as still remains

is attributed rather to an inherent fault of the Rule than to any aberration of the custom.

But to give an example that is not even open to argument:—Rule 122 (relating to securities to bearer) directs that "on Settling-days all unsettled bargains shall be "brought down and temporarily adjusted at prices to be "fixed by the Clerk of the House at Half-past Two o'clock, "etc." But not only are unsettled bargains not so adjusted—the making-up prices "to be fixed by the Clerk of the House at Half-past Two o'clock" are not even known to exist.

Other variations between rule and usage will receive attention in the following pages. In a sustained commentary some criticism is inevitable, but the object of the work is not to find fault; it is rather to examine and explain, to ascertain as far as possible not merely what the Rules *may* mean as they stand, but what they *do* mean as they stand, to compare or contrast them with the corresponding customs and occasionally to submit an urgent amendment.

Above and beyond the points which naturally come up for review in a commentary on the published Rules are the cases not specifically dealt with in the Code. Legion is their name; discord, recrimination and appeal are their ordinary sequel. Forbearance to prescribe procedure in certain contingencies would no doubt be commendable as affording elasticity to the methods upon which Stock Exchange business is conducted, if such forbearance were not on so magnanimous a scale as to involve frequent risk of dispute. By dint of good will and good sense, however, Members have succeeded in establishing for the common security a more or less effective code of market etiquette and market convention to supplement the short measure of official ordinance. But, as etiquette and convention depend largely upon racial, educational and social bias, unbroken unanimity cannot be looked for in so heterogeneous a body as The Stock Exchange. Its Members, so to speak, are drawn "from Greenland's icy mountains" and "from India's

coral strand." They are over four thousand strong. They present every type of character, every variety of temperament, every degree of culture, and every gradation of capability. They range from the lineal descendant of the arch dealer who bought his hairy brother's birthright for a mess of pottage fifty centuries ago, down to to-day's edition of the hairy man himself.

It would be no less than magical if all these varieties and others were endowed with equal sensibilities and with equal sense for the devising of conventional customs; or if each type and each individual saw with the same clearness the expediency of submitting to unwritten laws, however well devised, which he knows it may be difficult or impossible to enforce. Yet with all its defects and inconveniences the system of market etiquette and market usage that has gradually grown up is of immense service in supplementing the authorised Rules of The Stock Exchange, and it will be freely quoted in discussing certain of the Rules in the following pages.

That the Code of Rules as it stands is not a complete and final authority is clearly recognised by the official references to the "usages and customs of The Stock Exchange," and, indeed, Rule 65 itself formally anticipates that questions may arise which the Code has not forestalled. But would it not be better to formulate into regulations some of the more essential usages and customs which at present rest upon tradition only? Rule 65 plainly implies, although it may not directly prescribe, that the Committee shall assume ultimate jurisdiction in all disputes between Members of the House, and it is certain that the deficiencies of the Code throw an unnecessarily onerous burden upon the judiciary body.

As to existing Rules, again, it will be obvious that even when such are above all criticism they may still require explanation. For it is admittedly no part of the law-giver's duty, *in communicating his law*, to explain what causes have provoked such law, what cases it is specially

designed to meet, how it should be applied, or in what its chief utility consists. Such a comprehensive statement would be incompatible with the essential attributes of brevity and conciseness.

The most objectionable characteristic of the Rules is occasional obscurity. Right thinking is not invariably within our power, but right expression, even of wrong thinking, is always possible. It is this defect of obscurity which has sometimes commanded the writer to indicate formal and verbal imperfections, and even to discuss grammatical refinements which might be ignored in a connection of less moment.

The prefatory chapter outlining the course of business on The Stock Exchange may assist the reader who has no professional connection with the business to grasp the general principles of the Rules and to appreciate their application.

The author will be grateful for any corrections that may be addressed to the publisher.

May, 1902.

COURSE OF BUSINESS OUTLINED.

Bargains made between Members of The Stock Exchange in the ordinary course of business rest upon verbal contract only. Hence the Committee's recommendation that all bargains be systematically checked. (Rule 65.) **Contract between Members verbal.**

The dealing is done by the principals themselves or, in their name, by their authorised Clerks. (See Rules 44, 48, etc.)

A Broker is a Member who deals as an agent for account of an outside principal, but in doing so he makes himself liable as a principal to the Member with whom he deals. (See Rules 53, 66, etc.) **Broker.**

A Jobber is a Member whose business is to deal as an intermediary between two other Members. He is sometimes spoken of as a "Dealer"; but the term "Jobber" implies the principle of an "even book," whilst "Dealer" conveys some deviation from that principle. "Dealer" may be said to include "Jobber," but in practice the two expressions are regarded as interchangeable. **Jobber.** **Dealer.**

Dealers and jobbers constitute what is spoken of as "the market." In current securities they "make prices." That is to say, on the demand of a fellow Member or authorised Clerk they will quote two prices—at the lower of which they are prepared to buy and at the higher of which to sell. *E.g.*, 95 to 95⅛ in answer to the enquiry "What are Consols?" would be understood as an offer to buy at 95 or sell at 95⅛. (See Rules 80, 91, and 114.) If the price suits the Member to whom it is "made," he declares whether he will buy at the higher figure or sell at the lower, and in what quantity, and the bargain is concluded. The mere quotation of a price, however, does not of itself commit the **The Market Making prices.**

person quoting it; there is no engagement to deal unless the price is *made*. It is said that in practice one perceives instantaneously whether a price is made or only quoted nominally, and, broadly speaking, it may be assumed that a dealer does always make the price which he first quotes in any active security in his own market; on pressure he may even be willing to deal at a closer price. The difference between the two prices quoted in making a price—in the above illustration $\frac{1}{8}$—constitutes the "turn of the market," and is the constant factor upon which dealers reckon for a chance of profit.

Turn of the market.

Not only do dealers and jobbers make prices—they also make open offers and bids. By doing so they often narrow the market turn. For instance, when Consols are in fairly general demand at 95 and the current price in the market is 95—95$\frac{1}{8}$, a certain jobber may openly offer them at 95$\frac{1}{16}$.

Open offers and bids may be accepted by any Member.

A Member offering or bidding openly is bound to deal with any Member (or authorised representative) who accepts his proposition, however little he may desire to open an account with the latter. (Rules 80, 91, and 114.)

A broker does not make prices, but does, when he thinks it desirable, openly bid or offer. Amongst the jobbing fraternity there is a palpably hostile sentiment to his doing so—a sentiment based on the grounds that it cuts away the jobbing "turn." The broker, however, has to do his business on the best possible terms, and acts according to circumstances, irrespective of market susceptibilities.

Negotiation.

When a broker has to deal in an uncurrent security (that is, in one in which there is not sufficient business doing to establish a free or current market), he may be unable to find a jobber who will make him a price. In that case, he will in his discretion "open" to such jobber as he may consider to be most likely to bring him into touch with a *contrepartie*. To "open" is to declare what one wants to do. The disclosure may be either partial or complete, according to the broker's appreciation of what is best in

"Opening."

his client's interests, but it must not be represented as complete when it is really only partial; for instance, a broker must not induce a jobber to deal with him in part of his order by representing such part to be the whole. It is a very usual course for a broker simply to declare "which way" he is—that is, to state whether he is a buyer or a seller—without disclosing the quantity of stock that he may wish to deal in or even the price at which he is "limited." The jobber will then endeavour to find a seller or a buyer, as the case may be, and to make a definite offer or bid to the broker. This sort of thing is described as dealing by "negotiation."

Broker's duty on receiving order.

When a broker receives an order it is incumbent upon him either to execute it diligently or to return it at once. Culpable delay in returning an order which he did not intend to execute might involve responsibility in case of a movement in market price.

Marking.

If the security in which an order is executed be one that is quoted in the Official List and the bargain be done between 11 and 3 (Saturdays 11 and 1) at a quotable price, the broker may, and probably will, "mark" the bargain, that is to say, he will lodge instructions with the officials to insert in the current List under the heading "Business Done" the price at which he has dealt. The markings are displayed all day in The Stock Exchange, and any Member may challenge a marking. If he can show it to be outside the proper market price, he can have it altered or removed. (See Rules 142 to 145.)

Contract-note.

The broker prepares and transmits to the client a contract-note corresponding exactly with The Stock Exchange bargain which it represents, except that, in accordance with a general custom of dealing when several similar orders reach a broker simultaneously, or nearly simultaneously, the Stock Exchange bargain may be a collective one—one which combines all the several clients' orders—and therefore greater in *magnitude* than that which is described on the contract-note. The contract-note may or may not

bear the name of the Member with whom the bargain is done. The disclosure of this *datum* is supposed to relieve the broker of all responsibility to his client in case such Member fails, but on the other hand it is contended that the broker has no responsibility to his client beyond that of an agent, and that therefore the disclosure of the name of the Member with whom he deals is superfluous. (For further detail see remarks on Rules 43 and 177.)

Significance of Jobber's name on Contract-note.

The Official List has a public circulation, and clients may accordingly check to some extent the accuracy of the prices at which their transactions are reported to them. It is also a satisfaction to the broker to have official testimony of the price at which he has dealt and (in a negative way) of the accuracy of such price.

Procedure when Bargains mature.

Bargains done for "money" or "cash" are settled between Members by immediate transfer or delivery of security against payment, whilst bargains done for the Account (comprising almost the whole bulk of the business transacted on The Stock Exchange) are similarly completed on the Account Day (Settling Day) or are carried over two or three days before until the following Account Day. The Settlement Department (or "Clearing" as it is colloquially styled) operates only in respect of bargains done for the Account. (See Rules 78, 89, 112, and 131.)

Consols Settlement.

English, India, and Corporation Stocks have a Settlement once a month—the Consols Settlement; other securities (except such as are dealt in for Special Settlement under Rule 131) twice a month—the Fortnightly or Foreign Settlement or Share Account. Rule 140 governs the appointment of these Settlements.

Special Settlement.

Share Account or Foreign Settlement.

The term "Account" in its technical Stock Exchange sense signifies either the Settlement itself or the interval between two successive Settlements.

Carrying-over or Continuation.

By "carrying over" or "continuing" stocks is meant deferring payment or delivery for another Account (in the case of the Consols group for a month, in other cases for a fortnight). The transactions involved in this process are

known as contangoes. The process itself consists in reversing the bargain for the pending Account and restoring it for the ensuing Account; thus a purchase is carried over by effecting against it a sale at the making-up price (which may differ from the original purchase price) for the Account in progress coupled with repurchase (also at the making-up price) for the following Account, whilst a sale is carried over by effecting conversely a purchase and a resale. A "rate," *i.e.*, a rate of interest, is usually charged to a purchaser who carries over and allowed to a seller who carries over, but if the stock in question be in short supply the rate is either very light, "even" (that is, nil), or is replaced by a "backwardation" or "back" (that is, an allowance made by the Member carrying over a sale to the Member accommodating him with the stock).

Rate.

"Even."

Backwardation.

To carry over a *purchase* is "to give on" stock where a rate of interest is charged to the Member carrying over (*i.e.*, the Member who has the purchase open)—"to lend" stock where the rate is "even" (*i.e.*, nil), or where there is a "backwardation"; to carry over a sale is "to take in" stock at a rate or "to borrow" "even" or at a "backwardation." It does not, however, follow conversely that to take in or borrow stock is to carry over a sale, and that to give on or lend stock is to carry over a purchase; as intimated in the remarks on Rule 70, stock is often "taken in" for the purpose of employing capital and "given on" with the object of raising it. In this sense a contango (being thus a fresh transaction) cannot be looked upon as a postponement of payment or of delivery, but only as a temporary sale or purchase.

Giving-on.

Lending.

Taking-in.

Borrowing

The term "contango" is used indifferently to signify either the operation above described or the rate of interest charged by the Member taking in stock (really lending the money) to the Member giving on it (really borrowing the money). The same term is sometimes used antithetically to "backwardation," though the true antithesis of "backwardation" is "rate."

Ambiguous use of "Contango."

Heavy "rates" indicate a "bull" account; very light rates, none, or backwardations, a "bear" account.

"Bull."

A "bull" is a speculative purchaser—one who is distinguished from an investor by the fact that he does not purchase with a view to revenue in the shape of interest or dividend, but with the sole object of reselling at a profit.

"Bear."

A "bear" is a speculative seller—one who looks for a fall in market price which will enable him to cover (*i.e.*, to buy back) at a profit. The now hackneyed epigram that a bull buys what he does not want and a bear sells what he has not got is as good a definition as any. The bull is held in check by the risk of having the securities which he has bought sold out against him under Rules 81, 82, 103, 104, or 116; the bear is restrained by the fear of having the object of his speculations bought in against him under Rules 83, 106, or 119.

Ambiguous use of "Bull" and "Bear."

In professional circles the terms "bull" and "bear" are applied not only to the speculator, but to the speculation—a speculative purchase being spoken of as a "bull" and a speculative sale as a "bear."

Settling Consols.

The Settlement in English, India, and Corporation Stocks—that is, the Consols Settlement—begins Two days before the Consols Account Day. By the morning of the first of those days brokers will usually have ascertained how much stock they will be taking up and how much they will be delivering, and consequently how much they will have to give on or to take in. The contangoes will then be arranged at the making-up price (Rule 88). On the Consols Account Day itself Tickets will be passed for stock which is to be taken up, the stock will be transferred in the books of the Bank, and the Stock Receipt will be delivered to the purchaser and paid for at the price mentioned on the Ticket. (See Rule 81 and remarks.) On the day following the Consols Account Day differences (see below) will be collected.

"Difference."

A "difference" is a cash balance resulting (1) from the purchase and sale of an equal amount of the same security

at different prices (2) from the purchase or sale at one price, and the carrying over of such purchase or sale at a different price (3) from the purchase or sale at a certain price and the debiting or crediting of a Ticket at another price.

The reason that the collection of differences in the case of the Consols group of securities is deferred until the day after the Account Day is, no doubt, that Tickets are customarily passing up till a Quarter to One (and even Half-past One) on the Account Day itself, and that transfers at the Bank go on up till Three o'clock. There is consequently not sufficient time to post all Tickets to the ledger accounts and ascertain differences before banking hours are over—Four o'clock.

Settling Registered and Bearer Securities.

The fortnightly Account Day for transactions in securities deliverable by deed of transfer (registered securities) and for securities to bearer rarely falls earlier in the week than Wednesday or later than Friday.* The Ticket-day is the business day immediately preceding the Account Day. The carrying-over day for registered and bearer securities other than those dealt in in the Mining Market is the business day immediately preceding the Ticket-day, and the carrying-over day for registered securities dealt in in the Mining Market is the business day but one before the Ticket-day unless the Ticket-day falls on a Tuesday, when the carrying-over day for registered securities dealt in in Friday, as intimated in Rule 109, *q.v.*†

* As an exception may be mentioned the end of December Account Day, 1901, which fell on Monday the 30th December, the Ticket-day falling on Saturday the 28th. This irregularity was occasioned by the incidence of the Christmas holidays.

† Occasionally, when the Settlement Department is much pressed, the Committee prefix an extra day to the fortnightly Settlement for the adjustment of the Account in such securities, subject to arrangement by the Department (always those in which dealings have been heaviest) as they may specify by notice posted in the House. On this extra day making-up prices are fixed, at which the securities in question are carried over and at which Tickets representing bargains in them must be passed through Members' accounts and the stock or shares paid for on delivery, as directed by the second clause of Rule 94.

Settlement Department or Clearing House.

The Settlement of the Account is greatly simplified by the intermediary of the Settlement Department, or Clearing House, as it is called. Most Members are subscribers to this institution, and a great many stocks and shares "clear." Briefly, the effect of the mediation of the Clearing House is to bring into direct communication the ultimate purchasing Member and the ultimate selling Member in the case of any particular series of bargains, thus obviating the unnecessary circulation of Tickets and, where bearer securities are concerned, perhaps of stock also.

Settling by Ticket without the "Clearing."

The system of settling by Ticket a bargain in which the Clearing does not intervene may be illustrated as follows:—A buys of B, who buys of C, who buys of D, and so on up to Z. All the Members between A and Z are intermediaries, but Z has sold with the intention of delivering, and A has bought with the intention of taking up. The actual stock, however, is not passed from Z to Y, and from Y to X, and so on to A, but a Ticket bearing the date of issue, the price at which A has bought and A's name as issuer and payer of the purchase money (as well as other particulars according to the nature of the security) is passed by A to B, by B to C, by C to D, and so on until it reaches Z, by whom the stock is delivered direct to A with the Ticket attached. (See Rules 81, 82, 94, 95, and 117.) A's Ticket will have been credited in B's account with A at the price which it bore, and, again, debited in B's account with C, and so on with each Member on the "trace" up to Z; and on the Account Day the differences between the amount of money, reckoned at such price and the amount of the actual intermediate bargains, will be collected from or paid to each buyer by his seller.

Settling through the Clearing.

Now in the case of a bargain settled through the Clearing, A would have issued a Ticket direct to the Clearing, who would have traced it round to Z. Z would then have delivered on the Ticket to A, but would have been paid at the making-up price of the first making-up day, and not at the price on the Ticket (Rule 94, paragraph *b*). The

intermediate dealers (assuming them to be all Members of the Clearing) would not have handled the Ticket at all; they would simply have put entries through their accounts corresponding to the credits and debits made on receiving and passing-on A's Ticket in the illustration above, except that, in conformity with Rule 94, paragraph *b*, such entries would have been at the making-up price of the first making-up day instead of at A's purchase price. The differences collected and paid would thus have been established on the basis of the said making-up price.

The Cle a Mediu Making and Ma down.

The mediation of the Clearing House, then, saves intermediate dealers the trouble of passing on Tickets for registered securities, and of passing on Tickets for securities to bearer or perhaps even bonds (since a purchaser is not *obliged* to issue a Ticket for a purchase of bearer securities—see remarks on Rule 117).

The Clearing House may be regarded as a great machine for "making up" and "making down" bargains. In the example given above the stock would have been *made up* in the Clearing as far as the intermediaries were concerned, but *made down* in the Clearing as far as A or Z was concerned; that is to say, A's account with B would have been closed by his clearing B and collecting or paying him the difference between the making-up price (*i.e.*, the price at which bargains are cleared) and the contract price; but A would have had to credit and debit the Clearing House at the making-up price, and would also have had to take delivery of and pay Z instead of B.

Clearing House Account

A Member's Clearing House account will show no cash balance, as the price at which securities are cleared is the same as that at which the Tickets are debited or credited in the accounts—*i.e.*, the making-up price. The Clearing House is credited with a purchase cleared or debited with a sale cleared, and is *per contra* debited with a Ticket passed to it or credited with a Ticket received from it.

A Make

Now if A had not been an ultimate buyer, but only an intermediary, and had chanced to have resold to Z, then it

is clear that the whole series of bargains could have been *made up* without either stock, Ticket, or consideration money changing hands; that is to say, every Member's account with his immediate buyer or seller could have been closed by entries at the making-up price and the differences between such price and the various contract prices collected in the usual way.

Advantages of Making-up and Making-down.

By special arrangement between Members, bargains are still sometimes made-up (especially bargains in Consols) and (more frequently) made-down in cases where the Clearing House does not mediate. The advantages of a make-up are self-evident, as the accounts of the several Members concerned are all squared off, but, as a make-down involves the opening of a fresh account simultaneously with the closing of the original one, its advantages are less obvious. It is, however, especially useful where a London broker has bargains open for account of clients in the provinces or abroad who may have counter bargains open with some other broker in London or with persons in their own city who stand in a similar relationship to some such broker. Under these circumstances, the bargains may be adjusted with great simplicity by means of a make-down, the settlement—with the exception perhaps of the remittance of a difference cheque—being completely consummated in London instead of being partially carried out by the transmission of stock and proceeds to or from some distant place.

Similar convenience is experienced where a Member of The Stock Exchange and subscriber to the Clearing who has a bargain open with a Member who is not a subscriber to the Clearing is enabled to make his stock down with one who is, and consequently to clear it. (See remarks on Rule 109.)

Procedure at the Fortnightly Settlement.

On the two contango days (or carrying-over days) preceding the Ticket-day of the Share Account such transactions as are not to be then finally settled are carried over. The contangoes having been done, the broker or jobber

proceeds to complete his List of Securities to be taken up and delivered (known as *the* List), which has been in preparation perhaps for several days. To illustrate the functions of the List, we may give a single example:— Suppose A, a client, has bought through B, a broker, of C, a jobber, 100 Rand Mines. (1) B's List will show on the one side 100 Rand Mines to take of C, and on the other 100 Rand Mines to deliver to A. But if A should wish to carry over his purchase instead of paying for it, and B accordingly "gives on" 100 Rand Mines to D (another broker or jobber), then (2) B will cross A out of his List and substitute D, making 100 Rand Mines to take of C and 100 to deliver to D; if, however, B should carry over the purchase with C—the jobber with whom it was open (which, other conditions being favourable, would be a desirable course, as it would mean less clerical work)—then (3) B will (theoretically) cross A out of his List as a taker of 100 Rand Mines and substitute C, and then as C will appear both as a deliverer and a taker of 100 shares, he will cross C out on both sides and will have "no List" in Rand Mines. The three positions of B's List are as below:— The List.

(1)

RAND MINES.

	Shares.		Shares.
C (jobber) . . .	100	A (client) . . .	100

If B is a "clearing" broker, he will issue to the Settlement Department a Ticket bearing A's name (see below). If B is a non-clearing broker, he will issue the Ticket to C.

(2)

RAND MINES.

	Shares.		Shares.
C (jobber) . . .	100	D (jobber) . . .	100

If B is a clearing broker, he will "clear" C and D (supposing that they, too, belong to the Clearing). If he is a

non-clearing broker, or if C and D do not belong to the Clearing, he will receive a Ticket from D and pass it on to C.

(3)

RAND MINES.

	Shares.		Shares.
C (jobber) . . .	~~100~~	A (client) . . .	~~100~~

No List. Therefore no clearing and no circulation of Tickets.

Clearing Sheets. On the evening of each contango day every Member who subscribes to the Clearing House will prepare and deliver to that institution "Clearing Sheets," being a statement (corresponding to the List) of all his Stock Exchange engagements with other "clearing" Members in stocks or shares in which the Settlement Department undertakes the work of a Clearing House as above described.

Issue of Tickets for Registered Stock. Members taking up registered stocks that have been cleared issue Tickets to the Clearing House, which, by tracing through the Clearing Sheets sent in, eventually hands them to a deliverer. Where a registered stock is not cleared Tickets are issued to the immediate sellers, who, if they are intermediaries, pass them on in turn to their sellers until they come into the hands of a Member who delivers. (For further particulars upon this subject see Rule 94.)

Tickets for Bearer Stock. Members taking up bearer stock which has not been cleared may issue Tickets or not as they please (Pars. *a* and *k*, Rule 117). If the stock has been cleared, however, Members do not issue Tickets; on the morning of the Settling Day the Clearing House will furnish them with memoranda stating by whom they are to expect stock which they have bought to be delivered to them, and with Tickets upon which to deliver stock which they have sold. Clearing House Tickets for bearer stock have the names of the various members through whom the bargains to which they refer have been traced by the Clearing House written

on the face of them, and in particular bear the legend "X pays" (X being one extreme of the "trace" or the "read" and the Member to whom the stock is to be delivered); all other Tickets pick up the trace as they pass from hand to hand and are *endorsed* with such names. They are only *enfaced* with the name of the issuer (X) and with the name of the issuer's immediate seller.

Preparation of Transfer and delivery of Securities.

When a broker acting for a client receives a Ticket for registered stock which he intends to deliver, he is able to prepare a transfer embodying the particulars mentioned therein. The transfer is then despatched to the client for signature, and if returned in time and in due order may, together with the certificate or company's receipt, be delivered on the Account Day to the issuer of the Ticket against payment at the price mentioned in the Ticket, if the stock be a non-clearing Stock, or at the making-up price if it be a clearing stock. (See Rules 94, 103, 104, and 106.) Payment ought to be made upon delivery of the documents, and the prevalent custom of requiring "deliverers" to leave their stock and to call for payment after half-past two or three has been denounced by the Committee.

Bargains in bearer securities are consummated either by delivery of the stock or bonds against payment at the price of the bargain, or, where a Ticket has been passed, against payment at the making-up price. (Par. *a*, Rule 117.)

Rules 1 to 42 call for little remark. Many of them relate exclusively to the domestic constitution and discipline of The Stock Exchange, but they will provide illumination for those persons who have so long charged laxity and worse upon the great Institution which is thus regulated:—

COMMITTEE.

Rule 1.

On the 20th day of March in every year, or if that day should be a Sunday or Bank Holiday, then on the following business day, a ballot by the Members shall be held for the appointment of a Committee of Thirty Members who shall be called the "Committee for General Purposes," and shall hold office for Twelve months from the 25th of March next following the date of their election but shall be re-eligible. Notice of such ballot shall be publicly exhibited in The Stock Exchange during Fourteen days previous to the same being held, and a further notice containing the names of the persons on the existing Committee willing to serve again, and of all new candidates, their proposers and seconders, shall be publicly exhibited in like manner during Three business days previously to such ballot being held. The Members on the said Committee retiring shall remain in office until the 25th of the same month of March in which their successors shall have been elected, and in case no election shall be made at any such ballot as aforesaid, the Members retiring shall remain in office until the 25th day of March in the following year, or until a valid election shall have taken place under Clause 92 (*Deed of Settlement*). Four business days' notice previous to any ballot of intention to propose any person not already on the Committee and eligible for re-election must be given to the Secretary of the Committee in writing signed by Two Members, and the ballot shall be by printed lists containing the names of the persons willing to serve again and of all persons so proposed, distinguishing the former from the latter. In case no valid election be made on the day hereinbefore appointed for that object, the Committee may

forthwith, or at any time thereafter, prior to the next ordinary yearly ballot, cause a ballot to be held for such election on a day to be fixed by the Committee for that purpose, and in all respects, as lastly hereinbefore provided; and the Committee to be appointed by such ballot shall remain in office until the 25th day of March then next following. Every ballot for the election of the Committee for General Purposes or for supplying vacancies in the Committee shall be held at The Stock Exchange, and except as specially provided by these presents shall be conducted in accordance with the existing practice and usage in reference to such elections. In case of dispute as to what such practice and usage has been in any particular, the Committee shall from time to time determine the same by resolution.—*Deed of Settlement*, sect. xii., cl. 90.

The word "Members" when first mentioned should, if considered as part of the Rule and not as an expression transcribed from the Deed of Settlement, be followed by the words "of The Stock Exchange." As the Rule stands, "Members" means *grammatically* "Members of the Committee." It is intended to mean "Members of The Stock Exchange."

Rule 2.

No person shall be elected to the said Committee for General Purposes who shall not for the space of Five years immediately preceding the day of election have been a Member, and every person on ceasing to be a Member shall *ipso facto* vacate his seat on the Committee.—*Deed of Settlement*, sect. xii., cl. 91.

Every Member is entitled to vote although he may not have paid his subscription.

The last paragraph of this Rule offers a good example of the business-like and tolerant spirit which animates the policy of The Stock Exchange.

Rule 3.

Any occasional vacancy in the said Committee for General Purposes shall be filled up by a ballot of

Members to be held for the purpose on a day to be fixed by the Committee for General Purposes, and of which Seven days' previous notice shall be given by the same being publicly exhibited in The Stock Exchange. Similar notice of nomination shall be given as provided by Clause 90. The surviving or continuing Members on the Committee, notwithstanding any vacancy in their number, may act until the same shall be filled up.

Any person elected to supply an occasional vacancy in the said Committee shall hold office for the residue of the year in which he shall be elected, and shall then retire with the other Members of the said Committee. —*Deed of Settlement*, sect. xii., cls. 92, 93.

Rule 4.

The said Committee for General Purposes shall meet at such times as they may from time to time appoint, and shall determine their own quorum (the same to be not less than Seven Members actually present) and mode of procedure. Until otherwise determined, the quorum of the said Committee shall be Seven Members personally present.—*Deed of Settlement*, sect. xii., cls. 98, 99.

Rule 5.

The said Committee for General Purposes shall regulate the transaction of business on The Stock Exchange, and may make rules and regulations not inconsistent with the provisions of these presents respecting the mode of conducting the ballot for the election of the Committee and respecting the admission, expulsion, or suspension of Members and their clerks, and the mode and conditions in and subject to which the business on The Stock Exchange shall be transacted, and the conduct of the persons transacting the same, and generally for the good order and government of the Members of The Stock Exchange, and may from time to time amend, alter, or repeal such rules and regulations, or any of them, and may make any new, amended or additional rules and regulations for the purposes aforesaid.—*Deed of Settlement*, sect. xii., cl. 95.

Rule 6.

At their first Ordinary Meeting after the Annual Election, the Committee shall elect from amongst themselves, a Chairman and Deputy-Chairman, who shall respectively hold office till the 25th of March next ensuing. In case either appointment shall become vacant, it shall be filled up as soon afterwards as possible. When the Chairman and Deputy-Chairman are absent, the Meeting shall appoint a Chairman.

In all cases, when, on a division, the votes are equal, the Chairman shall have a second or casting vote.

Rule 7.

At the first Meeting of the Committee, one of the Members of The Stock Exchange shall be chosen Secretary, who shall hold his office during their pleasure; and three other Members shall be appointed to act as Scrutineers at elections, who shall report the result of the ballot to the Committee and to The Stock Exchange.

Rule 8.

The Ordinary Meetings of the Committee shall be held every Monday at 1.15 o'clock, commencing on the first Monday after each Annual Election. But a Special Meeting of the Committee may at any time be called by the Chairman or Deputy-Chairman, or (in their absence, or in case of their refusal) by any Three Members of the Committee. One hour's notice, at least, shall be posted in The Stock Exchange.

Rule 9.

If a quorum be not assembled within a quarter of an hour after the time appointed for meeting the Chairman, or Deputy-Chairman, may adjourn such Meeting.

Rule 10.

The business of the Committee shall be divided into two classes, viz.:—

Routine.
Special.

The first to comprehend the reading of Minutes for the purpose of confirmation or otherwise, the admission of Members and Clerks, fixing Settling Days, etc.;

The second, the investigation of claims and other matters relating to the interests of the Members, or of the public.

The printed notices of the Meetings of the Committee posted in the House shall contain the words on "Routine" or "Special" Business.

Note.—This Rule is the earliest authority for the expression "House" as designating The Stock Exchange edifice. Rule 8, to which there is a reference in the present Rule, has "Stock Exchange."

Rule 11.

No resolution of the Committee shall be valid, or put in force, until confirmed, unless it relate to the shutting of the House, the admission of Members, the re-admission of defaulters, the fixing of ordinary Settling Days, or the granting or refusing of special Settlements and official quotations. In cases which do not admit of delay, two-thirds of the Committee present must concur in favour of the immediate confirmation of the Resolution, and the urgency of the case must be stated on the Minutes. If a Resolution be not confirmed, and another Resolution be substituted, the substituted Resolution shall also require confirmation at a subsequent Meeting. In all cases brought under the consideration of the Committee, their decision, when confirmed, is final, and shall be carried out forthwith by every Member concerned.

Rule 12.

Notice shall be given in writing of any alteration of, or addition to, the Rules, and a copy of such alteration of a Rule, or proposed new Rule, shall be sent to each Member of the Committee.

After the reading of the Minutes, the consideration of any alteration of a Rule, or proposed new Rule, shall take precedence of all other business, except the re-admission of defaulters and cases of urgency.

Rule 13.

All communications to the Committee shall be made in writing; and no anonymous letter shall be acted upon.

Rule 14.

Members and their Clerks shall attend the Committee when required; and shall give such information as may be in their possession relative to any matter under investigation.

There is an inquisitorial touch in this Rule, as worded. "Any matter under investigation" would mean any matter affecting the general interests of The Stock Exchange (Rule 5), the interests of individual Members (Rule 65), or the interests of non-Members in cases where they have referred complaints against Members to the adjudication of the Committee (Rule 55).

Rule 15.

The Committee may expel any of their own Members from the Committee who may be guilty of improper conduct. The Resolution for expulsion must be carried by a majority of two-thirds in a Committee specially summoned for the purpose, and consisting of not less than Twelve Members, and must be confirmed by a majority of the Committee, at a subsequent Meeting, specially summoned.

Rule 16.

CLAUSE 1.—The Committee may expel or suspend any Member who may violate any of the Rules or Regulations.

CLAUSE 2.—The Committee may expel or suspend any Member who may fail to comply with any of the Committee's decisions.

CLAUSE 3.—The Committee may expel or suspend any Member who may be guilty of dishonourable or disgraceful conduct.

A Resolution for expulsion or suspension must be carried by a majority of three-fourths of a Committee

present at a Meeting specially summoned, and consisting of not less than Twelve Members, and must be confirmed by a majority of a Committee present at a subsequent Meeting specially summoned.

Rule 17.

The Committee may censure or suspend any Member of The Stock Exchange who may conduct himself in an improper or disorderly manner, or who may wilfully obstruct the business of the House. Any Resolution adopted under this Rule must be carried by a majority of three-fourths of the Members present.

A Resolution for expulsion or suspension must be carried by a majority of three-fourths of a Committee present at a Meeting specially summoned, and consisting of not less than Twelve Members, and must be confirmed by a majority of a Committee present at a subsequent Meeting specially summoned.

Rule 18.

The Committee for General Purposes for the time being may, in their absolute discretion, and in such manner as they may think fit, notify, or cause to be notified to the public that any Member has been expelled, or has become a defaulter, or has been suspended, or has ceased to be a Member, and the name of such Member. No action or other proceeding shall under any circumstances be maintainable by the person referred to in such notification against any person publishing or circulating the same, and this Rule shall operate as leave to any person to publish and circulate such notification, and be pleadable accordingly.

Rule 19.

The Committee may dispense with the strict enforcement of any of the Rules and Regulations; but such power shall only be exercised by a Committee specially convened for that purpose; and consisting of not less than Twelve Members, three-fourths of whom must concur in the Resolution for such dispensation. The Resolution must be confirmed by a majority of the Committee at a subsequent Meeting specially summoned.

ADMISSIONS, RE-ELECTIONS AND RE-ADMISSIONS.

The Membership of The Stock Exchange is not limited as to number.

Rule 20.

Every Member desirous of being re-elected shall, on or before the 15th of February in each year, address to the Secretary a letter, of the form inserted in the Appendix.*

Each Member of a Partnership is required to sign a separate letter.

A very similar letter has to be signed by applicants for admission as new Members.

* The terms of this letter are as follow :—

To the Secretary of the Committee for General Purposes.

SIR,

You will please to acquaint the Committee for General Purposes, that I am desirous of being re-elected a Member of The Stock Exchange, for the year commencing on the 25th of March, 190 , upon the terms of, and under and subject in all respects to the Rules and Regulations of The Stock Exchange which now are, or hereafter may be, for the time being in orce.

My Residence is

My Office Address is

My Bankers are

I am engaged in Partnership with

I carry on business as a *

I am not engaged in any business, except such as is transacted at The Stock Exchange, nor am I Clerk in any public or private establishment unconnected with the Stock Exchange, nor a Member of, or Subscriber to, any other Institution in which dealings in Stocks or Shares are carried on.

The under-named will continue to act as Clerk .

Rule 21.

The Committee shall, on the first Monday in March, proceed to admit and re-elect such persons as they shall deem eligible to be Members of The Stock Exchange, for One year, commencing on the 25th of March then instant, or last preceding the admission of such Subscriber, at the amount fixed by the Trustees and Managers for such admission.

New applicants for admission have to pay an entrance fee, and Members an annual subscription; the amount of both is subject to alteration from time to time by the Trustees and Managers.

Rule 22.

Every applicant for admission must have served as a Clerk in the House or the Settling Rooms for Two years (with a minimum service in the House of One year) previously to being balloted for, and must be recommended by Three Members of not less than Four years' standing, who have fulfilled all their engagements, and who are not indemnified. Each recommender must engage to pay Five hundred pounds to creditors of the applicant in case the latter shall be declared a defaulter within Four years from the date of his admission.

If the applicant has served as a Clerk in the House or the Settling Rooms for Four years (with a minimum service in the House of Three years) previously to his application, Two recommenders only shall be required, who must each enter into a similar engagement for Three hundred pounds, but any Clerk, who previously to his employment in The Stock Exchange shall have been engaged as Principal in any Business, shall only be eligible for admission as a Member with Three sureties for Five hundred pounds each.

The election of new Members must be carried by a majority of three-fourths in a Committee consisting of not less than Twelve Members.

No Member shall be surety for more than Two new Members at the same time unless he take up an unexpired suretyship, when the limit shall be Three.

The majority required to carry an election (penultimate paragraph) is the same as is required to enforce a Member's expulsion. (See ante Rule 16.)

The condition of service as a Clerk previous to admission as a Member was only introduced at March, 1902. Formerly, persons eligible in other respects could take up their membership without any such preparation, and in spite of the fact that the business of a Member of The Stock Exchange acting on his own account is both difficult and responsible.

The Recommenders (or Sureties) are released if the defaulter is declared in consequence of his having compounded with his creditors (see post Rules 163 and 152), but there is no regulation enabling a Recommender to divest himself, of his own motion, of the responsibility which he undertakes on behalf of the applicant whom he recommends.

Rule 23.

No foreigner shall be admissible, unless he shall have been naturalised for a period of Two years, and shall have been a resident in this country for Seven years.

Rule 24.

A notice of each application, with the names of the recommenders, stating that they are not, and do not expect to be, indemnified, shall be posted in The Stock Exchange at least Eight days before the applicant can be balloted for.

Rule 25.

Members are required to have such personal knowledge of applicants whom they recommend, and of their past and present circumstances, as shall satisfy the Committee as to their eligibility.

Rule 26.

Any recommender of a New Member, who at the time of such Member's admission shall have avowed that he

was not, and that he did not expect to be indemnified, and who shall subsequently receive any indemnity, shall in the event of the New Member failing within the time of his liability, be compelled to pay to the creditors any sum so received, in addition to the amount for which he originally became surety.

Rule 27.

An applicant may be recommended by a firm, but not by Two members of the same firm, nor by a Member who is an Authorised or Unauthorised Clerk, nor by a Member whose Authorised Clerk the applicant may be, nor by a Member whose Sureties are still liable.

Rule 28.

If a Member enter into partnership with, or become Authorised Clerk to, any one of his Sureties, or if any one of his Sureties cease to be a Member during his liability, he shall find a new Surety for such portion of the time as shall remain unexpired; and until such substitute is provided, the Committee will prohibit his entrance to The Stock Exchange.

Rule 29.

No applicant is admissible, if he be engaged as principal or clerk in any business other than that of The Stock Exchange, or if his wife be engaged in business, or if he be a member of, or subscriber to, any other institution where dealings in stocks or shares are carried on; and if subsequently to his admission he shall render himself subject to either of those objections, he shall thereby cease to be a Member.

Rule 30.

*No applicant for admission, who has been a bankrupt, or who has been proved to be insolvent, or who has compounded with his creditors, shall be eligible, unless he shall have paid 20s. in the £, and obtained a full discharge.

* This Rule does not apply to the re-admission of Members of The Stock Exchange.

No applicant having more than once been a bankrupt or insolvent, or compounded with his creditors, shall be eligible for admission.

Further, it is understood that women are not eligible for admission.

Rule 31.

A Member, intending to object to the admission, or re-admission of an applicant, or to the re-election of a Member, is required to communicate the grounds of his objection to the Committee by letter, previously to the ballot or re-election.

Rule 32.

If any applicant for admission, re-admission, or re-election be rejected, he shall not be balloted for again before the 25th of March then next ensuing. Defaulters declared within Four years of their admission as Members, and Defaulters who have been rejected upon Two ballots can only be re-admitted by a majority of three-fourths in a Committee specially summoned, and consisting of not less than Twelve Members.

Rule 33.

Any former Member, who, not having resigned, and not having been a defaulter, bankrupt or insolvent, shall have discontinued his Subscription for One year, must be recommended for re-election by Two Members, but without security. If he shall have discontinued his Subscription for Two years, he will be considered a new applicant, and must apply for admission in the usual way.

Rule 34.

Any Member wishing to resign his Membership must forward to the Secretary a letter tendering such resignation, and a copy of this letter shall be posted in The Stock Exchange for at least Four weeks before the matter is entertained by the Committee.

Rule 35.

A notice of every defaulter, applying for re-admission, shall, at the discretion of the Committee, be posted (without recommenders), in The Stock Exchange, at least Twenty-one days, and the Committee shall then take the application into consideration, upon the report of the Sub-Committee, appointed according to Rule 171. If, however, the Committee think fit, a defaulter may be re-admitted without the above notice, upon a report of the Sub-Committee, and a certificate signed by such a number of the creditors as may be satisfactory to the Committee, that all liabilities have been *bona fide* discharged in full. In all such cases, after the defaulter has been re-admitted by ballot, it shall be decided by show of hands whether his name shall be posted in The Stock Exchange as having paid 20s. in the £; or whether it shall be placed in one of the two classes mentioned in Rule 172.

Any Member, not a defaulter, who shall become bankrupt or insolvent, and who shall have paid 20s. in the £, may be allowed to apply for re-admission with two sureties of £300 each.

For further particulars as to re-admission of defaulters, see Rules 162, 163, 164, 165, 171 and 172.

Rule 36.

The re-admission of defaulters shall take precedence of all other business.

Rule 37.

The Chairman of the Committee, in addition to any other questions that may appear to be necessary, shall, to each of the recommenders of an applicant, put the following:—

Has the applicant ever been a bankrupt, or has he ever compounded with his creditors? and if so, within what time, and what amount of dividend has been paid?

Would you take his cheque for Three thousand pounds in the ordinary way of business?

Do you consider that he may be safely dealt with in securities for the account?

With regard to the first two of these questions, see *ante* Rule 30.

It may be assumed that an unfavourable answer to *any* of the questions would result in the failure of the application.

Rule 38.

The Chairman shall require every new applicant to acknowledge his signature to the form of application, and shall ask such questions as may be deemed necessary.

PARTNERSHIPS.

Rule 39.

In every year, as soon as possible after the general election, a list of partnerships shall be made out by the Secretary. In case of a new, or alteration in an old partnership, the same shall be communicated to the Committee; and no partnership shall be considered as altered or dissolved until such communication be made.

All notices relative to partnerships must be signed by the parties, countersigned by the Secretary, and posted in The Stock Exchange.

Rule 40.

The failure of a firm dissolves the partnership, and, should the members of such firm, when re-admitted, desire to renew the partnership, notice thereof must be given to the Committee, in the usual way.

Rule 41.

No Member of The Stock Exchange shall be allowed to enter into partnership with any person who is not a Member; nor shall any Member form a partnership during the liability of his recommenders, without their written consent; such consent to be communicated to the Committee.

The arrangement which Brokers on The Stock Exchange commonly make with non-members to divide the commission and the risk of business introduced by the latter does not amount to a partnership, nor is it held by the judicial body of The Stock Exchange to infringe this Rule.

Rule 42.

Members dealing generally together in any particular stock or shares, and participating in the result, shall be held responsible for the liabilities of each other, not only in the shares or stock in which they are jointly interested, but also in any other description of securities in which either of them may transact business, unless they forward a written notice to the Secretary, specifying the particular shares or stock in which they deal on joint account.

No Limited Partnership shall consist of more than Two Members, or Firms, nor shall such Partnership be carried on in any other markets than those in which both parties are dealing.

All Limited Partnerships must be notified to the Secretary and posted in The Stock Exchange.

This Rule to be applicable also to Members allowing others to deal with their shares, stock or capital, and participating in the result.

FORM OF NOTICE.

We, the undersigned, beg to inform the Committee for General Purposes that, from this day until further notice, we hold ourselves jointly responsible to The Stock Exchange for all transactions entered into by either of us in

{ .....
{ .....

We are, Sir, etc.

There are certain clauses of this Rule which have not always asserted themselves with sufficient vigour. It is alleged, for instance, that in the closing months of 1900 and the first month of 1901 the second and fourth clauses suffered frequent neglect at the hands of Members who elected to regard all the African mining markets as one and indivisible. The Committee, however, dissented from this supposition, and on the 21st January, 1901, confirmed a resolution "that the West African mining market be recognised as a separate market." There is possibly room for further resolutions, either differentiating or identifying

certain markets, some Members for example, holding that the West Australian and the British Columbian markets are each absolutely independent, others that the two are so intimately related as to be inseparable.

It is clear from the next Rule (No. 43) that "Members dealing generally together" at the beginning of the present Rule means "*Dealers* dealing generally together," as partnerships between Brokers and Dealers are prohibited.

Rule 43.

> The Committee will not allow Members or their authorised Clerks to act in the double capacity of Brokers and Dealers; nor will they sanction partnerships between Brokers and Dealers.

In the public imagination, Members of The Stock Exchange are all "stockbrokers," but Rule 43 splits the species into two great varieties. There shall be Brokers and there shall be Dealers, and between the two shall be intercourse *but not identity*. Such is the fiat. It creates a difference between Broker and Jobber (or Dealer) and forestalls collusion. It goes so far as to place the two in healthy opposition to each other.

To thoroughly understand the Rule, we must grasp the meaning of the word Dealer. A Dealer is of course one who deals; but a Broker deals too, and if the term Dealer meant nothing more than that the Rule would be an absurdity. But to The Stock Exchange apprehension a Dealer is one who deals to secure an intermediate profit between a buyer and a seller. Under Rule 43 a Broker (who, in relation to his client, is essentially an agent) is disqualified from doing this kind of business. It would be inadmissible for him under any circumstances to make an undeclared profit by dealing simultaneously between two Members of the House, were they two Brokers, two Jobbers, or a Jobber and another Broker. An *undeclared* profit, be it observed; for if (illustratively) a Jobber in the Consols market desires to take a hand in "Yankees," he

will probably ask a Broker with experience of the American Railway market to buy him, say, a hundred Louisville and Nashville shares. The Broker accordingly buys them at 120, and reports the bargain to his Consols friend, who takes them of him at $120\frac{1}{16}$. Here the Broker openly makes a sixteenth, and it is only in a case of this kind that he *can* make a legitimate dealing profit between two other Members of the House.

It would seem, on the other hand, that a Jobber is explicitly disabled from dealing direct with persons who are not Members of The Stock Exchange, that bargains with such persons can only be made through Brokers; in fact, the doctrine is that the Member who does such a bargain becomes *ipso facto* a Broker and thus transgresses the Rule. Yet, express as the prohibition would appear to be, there is reason to believe that it is not uncommonly ignored, and that Jobbers do in fact communicate direct with non-members of The Stock Exchange, and, while not rendering a contract-note, execute orders on what is virtually a commission, although booked in the form of a difference in price. Such procedure may not be sufficiently common to be described as a "practice"; it is merely an occasional infringement of the Rule as interpreted by a large body of professional opinion.

The most obvious function of this Rule then is to limit the sphere of activity of each class of Members and to prevent "poaching." But its utility reaches much further than that in that it is supposed to contemplate, not only the interests of Members of The Stock Exchange, but the interests of the private client. The relationship of Broker and client, and the reciprocal liabilities involved are treated at length in the various works devoted to the legal aspect of the Rules, and all that is appropriate here is a passing reference to certain cases suggested by the present Rule.

The last clause of the Rule is of value inasmuch as the Broker is therein debarred from sharing the Jobber's "turn," and is left no inducement to deal at a "wide" price

or at any other than the closest and strictest market price obtainable at the time of dealing.

It will be noted that whilst partnerships between Dealers and Dealers are sanctioned under the preceding Rule, partnerships between Brokers and Dealers are under this Rule absolutely prohibited.

A Broker may legitimately buy from or sell to a client, for his own account, a current security at the market price, providing he discloses the fact that he is acting as principal in the transaction; on such occasions no commission is charged unless expressly agreed upon, and the contract-note is usually rendered "nett." Here we strike one of the great guiding principles which moralise Stock Exchange transactions as between Broker and client, viz., that *there must be no disguised profits.*

The relationship of Broker and client is simple enough so long as the former acts as a mere agent, but when he deals for his own account with his client it becomes somewhat delicate and ambiguous. When so dealing his first care should be to make a full and unreserved disclosure of his position, and to deal scrupulously at the actual market price.

It is to secure evidence of the fulfilment of the latter condition that transactions of this kind are frequently put through a Jobber's book. But the validity of such transactions does not in any degree rest upon the Jobber's "put-through"; *that* is only of value as evidence that the particular bargain which it records was done at the true market price—a point that must be proved in any demonstration of validity. Jobbers are usually remunerated with a slight "turn," as it is called, for performing the act of evidence, but the Jobber who refuses *upon moral grounds* to put through a bargain without remuneration (as is sometimes the case) is a highly commercial moralist. For a "put-through" at the right price could no more be prejudiced by the non-bestowal of a gratuity than a "put-through" at the wrong price could be justified by a gratuity or anything else; and, moreover, the evidence constituted by a "put-

through," if questionable at all, is distinctly less questionable where the Jobber's services are honorary than where they are remunerated. But it is rarely that a difference of opinion arises in these matters; Brokers, on the one hand, do not expect Jobbers to lend their books habitually for nothing, and Jobbers, on the other hand, are usually willing to accommodate their natural friends to a reasonable extent. Goodwill notwithstanding, there is sometimes no scope for a Jobber's "turn," and a Broker, for example, with a buying limit and a selling limit in the same security at the same price, who may desire to secure evidence that in "marrying" the two he has officiated upon strictly impartial and orthodox lines, will have no difficulty, as a rule, in finding a Jobber's book wherein to perform the ceremony according to established ritual.

Circumstances frequently arise which force a Broker into a principal relationship with his client, *e.g.*, he receives the order to give option money for the Call of a hundred low-priced shares. But option Dealers may be disinclined to take money for the single option in such small numbers of the shares, and yet, at the same time, quite willing to take for the double option of even smaller numbers. The Broker, then, being unable to find a "taker" for the Call, gives twice the money for the Put-and-Call of half the number of shares, and converts the Put-and-Call into a Call by purchasing "firm" in the market the number of shares involved in the former, with the intention of carrying them over himself until the maturity of the option. An uninstructed client could not be expected to appreciate the process here indicated or to identify it with his original order. His Broker might accordingly render him a contract-note for the simple call, the "principal" relationship thus established being demonstrably innocent to those acquainted with the elements of option dealing.

Another case is where a Broker acts as principal in carrying-over stock for a client. This is a recognised practice, and involves no injustice to the latter unless the

contango rates charged or allowed are more extreme than those ruling in the market.

Custom holds, then, that this Rule is not designed to prevent straightforward transactions between Broker and client, but only to debar, between the two, transactions of such a nature as belong admittedly to the professional Dealer or Jobber.

It is said, however, that the jobbing element is seriously opposed to all principal transactions as between Broker and client, and even to "secondary" transactions where the two principals are clients of the same Broker. Some of the objections to the former category have been already indicated; the chief objection to the latter is that in such transactions the temptation of a double commission might induce the Broker to deal for one of his two clients at a higher or a lower price than the true market price. The objection is a valid one, and it is not because it is advanced by interested parties that it can be ignored. There is, however, much to be said in favour of a system by which a Broker may deal between two principals, neither of whom is on The Stock Exchange. First of all, it is only reasonable that if he have in his own connection outside the House a buyer and a seller of the same securities he should be allowed to bring them together on terms which are acceptable to both. And, secondly, it is obvious that, as in such transactions the only intermediary between the two is the Broker, the business is susceptible of being discharged much less expensively than if a Jobber, or several Jobbers, also intervened. The latter consideration applies particularly to securities in which the market is restricted and the price consequently wide. *E.g.*, the market price of a debenture stock is 95—100; if a Broker brings his outside principals together at 97½, or indeed at any price within 95—100, he has consulted the interests of both. To pay more than 100 or to accept less than 95 would be unfair and dishonest. The system may be sometimes abused by unscrupulous Brokers, but the great majority of Brokers

would, and do, deal outside The Stock Exchange with strict reference to the prices prevailing inside; and if reform of the present custom were to remove not only its risks but its advantages there would certainly be some grounds for regret.

The more reasonable agitators, however, merely contemplate compulsory disclosure to both principals that business of the kind in question means two commissions to the Broker. A regulation embodying this doctrine would no doubt be used by certain clients to reduce the scale of commission, and in that point of view the Broker's reluctance to accept such a regulation is reasonable and well founded; but objection on any other grounds can only be considered as sentimental, and would no doubt be easily removed if the somewhat offensive *form* in which it has been proposed to order the disclosure—viz., by the insertion of the words "two commissions" on the contract-note—were amended. Whatever the result of the agitation, the client's best safeguard will always reside in the character and standing of the Broker whom he employs. Brokers of questionable morality cannot be regulated into rectitude; they are certain to find friends in the jobbing fraternity who will connive for a consideration at their methods, and if any reform enforcing in all transactions the agency of a Jobber should ever become an accomplished fact, the clients of *such* Brokers would be worse off than before by precisely the consideration or "turn" agreed upon by the conspirators.

Rule 43 is, in its main provisions, and especially in so far as it protects the client, strictly observed. Any infringement is exceptional. And yet there is a belief amongst certain sections of the public that its contravention—to the detriment of the client's interests—is customary. It is sometimes alleged that the Broker's remuneration is not confined to the "beggarly" commissions appearing on the contract-note—that the thing is absurd—that in point of fact the Broker has, *must* have, an "understanding"

with the Jobber, and that the latter makes over to the former at the end of the year a covenanted proportion of his "turn."

Such a theory as this would appear to a practitioner on The Stock Exchange the most childish superstition. A Broker acting thus would be instantly expelled; so would the collusory Jobber. Quite apart from the question of common honesty—which is not unknown in the House—Members would not take the risk involved in an "understanding."

CLERKS.

Rule 44.

No Clerk shall be admitted to the House or the Settling Rooms without the permission of the Committee; nor unless he be Seventeen years of age.

A Member applying for the admission of a Clerk must satisfy the Committee that he would be in all respects eligible as a Member except as regards age and qualification of service.

Defaulters can be allowed as Clerks only by a majority of three-fourths in a Committee specially summoned, and consisting of not less than Twelve Members. Clerks so allowed are not thereby admissible as Members.

No Clerk shall be authorised to transact business until he is Twenty-one years of age and has been admitted to the House or the Settling Rooms for Two years with a minimum service in the House of One year.

No authorised Clerk shall transact business as a Dealer in any securities other than those in which his employer deals.

In the early glamour of the first West African mining "boom," Clause V. of this Rule suffered some neglect, but in January of 1901 the delinquents were rebuked by the announcement of the resolution quoted under Rule 42.

As to ineligibility (second paragraph above), consult Rules 23, 29, 30, and 37.

Rule 44a.

The maximum number of Clerks permissible, but not necessarily allowed, is:—

	Authorised.	Unauthorised.	Settling Room.
For an Individual Member -	1	2	2
For a Firm - - - - - -	2	3	4

In the event of a Member or Firm not employing the maximum number of Authorised Clerks, they may be allowed an additional Unauthorised Clerk, so as not to exceed in any case three Unauthorised Clerks for an individual or five for a Firm.

This Rule only came into operation on the 25th March, 1902, and the restriction of the number of Unauthorised Clerks allowed to a Firm was not to be retrospective. There had previously been no published rule prescribing the number of Clerks that Members might employ, although it was more or less generally understood that the maximum for an individual Member was One Authorised and Two Unauthorised Clerks, and for a Firm Two Authorised and Five Unauthorised Clerks. All such Clerks had the *entrée* of the House as well as of the Settling Rooms, and until the present Rule was introduced the Settling Room Clerk pure and simple was unknown. As the area of the House is already much congested, the limitation of the number of "Unauthorised" Clerks to Three has one obvious advantage; but, as mentioned above, the Rule is not personally retrospective in so far as regards Clerks surviving under the old *régime*, and accordingly those Firms who were employing more than Three Unauthorised Clerks before 25th March, 1902, may continue to do so, until they part with any of the existing supernumeraries.

Rule 45.

A Member desirous of obtaining the admission of a Clerk shall make application in writing to the Committee, and state whether such Clerk is to be authorised or not authorised to transact business, or is to be admitted to the Settling Rooms only.

A Member desirous of employing another Member as his Clerk shall make application in writing to the

Committee, and state whether such Clerk is to be authorised or not to transact business.

When application is made for the admission of a Clerk who has previously been engaged in business out of The Stock Exchange, the name and address of such person, together with the name of the Member applying for his admission, shall be posted in The Stock Exchange Eight days prior to the application being considered by the Committee.

The Committee require that a Member shall have obtained a satisfactory reference from the last employer of any Clerk he may desire to introduce.

No Clerk shall enter The Stock Exchange until his employer has received from the Secretary notice of his admission.

Rule 46.

A Member applying for the admission of an authorised Clerk must first obtain the consent of his Sureties in writing, if the term of their liability be not expired.

Rule 47.

A Member who may part with a Clerk, or be desirous of withdrawing from an authorised Clerk the permission to transact business on his account, shall give notice in writing to the Secretary, who shall forthwith communicate the same to The Stock Exchange in the usual manner.

"In the usual manner" is by notice posted in the "House."

Rule 48.

A list of authorised Clerks (distinguishing those who are also Members) and the names of their employers, shall be posted in The Stock Exchange, and the authority shall be considered to continue until revoked by letter to the Committee.

The distinguishing mark is an asterisk.

Rule 49.

A Member authorising a Clerk to transact business shall not be held answerable for money borrowed by the Clerk, without security, unless he shall have given special authority for that purpose.

Rule 50.

A Member employed as Clerk, whether authorised or unauthorised, shall not make any bargain in his own name; nor after the termination of his Clerkship, if the same arises from the default of his employer, until he has first obtained the permission of the Committee.

Rule 51.

No Clerk shall be allowed to apply for an allotment in loans or shares, without the sanction of his employer, who shall be responsible for the payment of the deposit on the shares or stock so applied for.

It is to be presumed that the employer would be responsible only in cases where he had sanctioned his Clerk's application. The Rule is not so precisely worded as to exclude any other interpretation.

Rule 52.

Clerks of defaulters are excluded from The Stock Exchange. Clerks of deceased Members may, by permission of Two Members of the Committee, attend to adjust unsettled accounts.

Clerks of defaulters, if themselves Members, are, nevertheless, permitted to enter The Stock Exchange; they enter by right of their membership.

GENERAL RULES

APPLICABLE TO

STOCK EXCHANGE TRANSACTIONS.

Rule 53.

The Stock Exchange does not recognise in its dealings any other parties than its own Members; every bargain therefore, whether for account of the Member effecting it, or for account of a principal, must be fulfilled according to the Rules, Regulations and usages of The Stock Exchange.

The first clause of this Rule holds good only until default takes place of a Member who has accounts open with Non-Members, when Rule 168, providing for the participation of Non-Members in defaulters' estates, comes into operation.

Rule 54.

No Member shall attempt to enforce by law a claim arising out of Stock Exchange transactions against a Member or defaulter, or against the principal of a Member or defaulter, without the consent of such Member, or of the creditors of the defaulter, or of the Committee.

The Committee have power to intervene in cases where the principal of a Member shall attempt to enforce by law a claim which is not in accordance with the Rules, Regulations and usages of The Stock Exchange, and will deal with such cases as the circumstances may require.

The doctrine here involved is questionable law. As a matter of fact certain claims are enforceable at law in all

the cases in which the Rule prohibits legal action. Yet the danger of bearding the Committee or defying one of its regulations, and the recognised utility of the provisions of the Rule, give it universal authority amongst Members. The Rule especially protects defaulters who have been re-admitted on paying a minimum dividend of 6s. 8d. in the £ (Rule 164) from prosecution by their creditors on The Stock Exchange. If a defaulter when re-admitted were liable to have his working capital reduced or depleted by actions brought at law he would be a source of very real danger to Members who might enter into new engagements with him. The interests of the creditors are sufficiently consulted by the action of the Committee in inquiring from time to time into the position of the re-admitted defaulter, and in ordering him to pay up a further instalment of his debts if their inquiry shows that his means admit of such a payment.

The intervention mentioned in the latter part of the Rule would, in conceivable circumstances, be successful. In any case, the possibility of intervention would be sufficient to prevent a Broker from proceeding against a fellow-Member through a mere nominee. (See also comment on Rule 168.)

Rule 55.

If a Non-Member shall make any complaint against a Member, the Committee shall in the first place consider whether the complaint is fitting for their adjudication, and in the event of the Committee deciding in the affirmative, the Non-Member shall previously to the case being heard by the Committee sign a consent in writing as follows:—

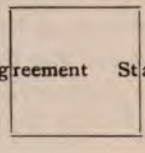
To the Committee for General Purposes of The Stock Exchange, London;

In the Matter of a Complaint between and

GENTLEMEN,

I do hereby consent to refer this matter to you, and I undertake to be bound by the said reference, and to abide by and forthwith to carry into effect your Award, Resolution or decision in this matter, in the same manner as if I were a Member of the Stock Exchange; and I further under-

take not to institute, prosecute, or cause, or procure to be instituted, or prosecuted, or take any part in proceedings, either civil or criminal, in respect of the case submitted. And I consent that the Committee may proceed in accordance with their ordinary rules of procedure, and I undertake to be bound by the same. Also that the Committee may proceed *ex parte* after notice, and that it shall be no objection that the Members of the Committee present vary during the enquiry, or that any of them may not have heard the whole of the evidence, and any Award or Resolution of the Committee, signed by the Chairman for the time being, shall be conclusive that the same was duly made or passed, and that the reference was conducted in accordance with the practice of the Committee. And I hereby agree that this letter shall be deemed to be a submission to arbitration within the meaning of the Arbitration Act, 1889.



Rule 56.

If a Member shall do a private bargain, either for money or time, with an individual member of a firm in The Stock Exchange, such bargain being concealed from the firm, both Members shall be expelled.

Rule 57.

If any Member or authorised Clerk shall do a bargain, either for money or time, with an authorised or unauthorised Clerk, for account of such Clerk, they shall be liable to expulsion.

A Resolution for expulsion or suspension must be carried by a majority of three-fourths of a Committee present at a Meeting specially summoned, and consisting of not less than Twelve Members, and must be confirmed by a majority of a Committee present at a subsequent Meeting specially summoned.

It may be inferred from the second paragraph of Rule 57 that whereas the liability for dealing with a Clerk for his personal account is expulsion, the penalty would, under certain circumstances, be limited to suspension.

This Rule omits to lay down the liability of the Clerk for whose account the hypothetical bargain is done. Pre-

sumably expulsion also; but if so, the sentence "they shall be liable to expulsion" should read "*both parties* to such bargain shall be liable to expulsion."

Note.—In any case, the present wording is ungrammatical. The reference of expulsion is both to "Member" and to "Clerk" (in the first line), but it is a *disjunctive* reference, and the subject of the sentence must therefore stand in the singular—"he" (not "they") "shall be liable to expulsion."

Rule 58.

Members are not allowed to transact speculative business directly or indirectly for or with Officials or Clerks in public or private establishments, without the knowledge of their employers.

Members disregarding this Rule are liable to be dealt with in such manner as the Committee may deem advisable.

A Resolution for expulsion or suspension must be carried by a majority of three-fourths of a Committee present at a Meeting specially summoned, and consisting of not less than Twelve Members, and must be confirmed by a majority of a Committee present at a subsequent Meeting specially summoned.

Purchases of *speculative* securities to be taken up and paid for, or sales of such securities to be delivered on the Settling Day, would not expose the Broker of an "Official" or "Clerk" to penalty under this Rule. It is speculative purchases or sales (not purchases or sales in speculative paper) that are discountenanced, and, indeed, consistently punished. The usual penalty is a term of suspension varying in length with the degree of delinquency.

Rule 59.

No application which has for its object to annul any bargain in The Stock Exchange shall be entertained by the Committee, unless upon a specific allegation of fraud or wilful misrepresentation.

Non-Members have very little idea of the sacred and inviolable character which a bargain assumes in the eyes

of a Member. There is a conviction amounting to religious faith between the parties to a bargain in The Stock Exchange that such bargain once fairly struck in accordance with Rule and Custom is absolutely irrevocable. There is never a thought that in the event of an adverse movement in price or anything of the sort a loophole of escape may be found. If there were, the market would instantly lose freedom and become a hotbed of sharp practice. Business, indeed, on the stupendous scale on which it takes place in The Stock Exchange would be rendered altogether impossible. Hence the popularity and authority of this Rule.

Proof of fraud or wilful misrepresentation on the side of either party to a bargain would certainly secure the quashing of such bargain. But unless fraud or wilful misrepresentation be alleged by the applicant against his immediate *contrepartie*, the Committee, acting in strict harmony with the rigorous business morality of The Stock Exchange, will not even entertain his application. Be it noted that the principal destination of this Rule is to maintain and enforce bargains, and that the competence of the Committee to revise a contract between two Members of the House is only indirectly declared in a subordinate clause.

In this place may perhaps be mentioned a custom enjoying universal authority in the House, but receiving no recognition whatever in the book of Rules. It is the custom of carrying over mining shares the day before the official contango day for such shares. Contangoes are bargains, and, as such, inviolable; but exception is made in the case of contangoes arranged on the preliminary carry-over day, which, by tacit understanding, are done "subject," i.e., subject to alteration on the first official contango day. There is always, however, a certain vagueness about matters of mere custom, and even in a custom so general (and in busy times so useful) as this the absence of any Rule to state up to what time a contango may be cancelled or modified sometimes gives rise to considerable friction.

Rule 60.

The Committee will not recognise any dealing in letters of allotment, either of loans or shares in new companies.

Letters of allotment are necessarily dealt in for cash, i.e., for immediate delivery, and a recognition of such dealings would naturally conflict with Rule 131, which considers bargains in the securities of a new loan or a new company as made for special settlement. Nevertheless, in practice, allotment letters of a new issue of shares by an already existing company (especially one whose issued shares enjoy an unquestionable market) are frequently dealt in, and it will of course be noticed that such dealings are not *forbidden.*

Rule 61.

A Member applying for shares or stock of loans or public companies, and neglecting to pay the deposit on the same, shall be considered to have violated a contract, and shall be compelled to fulfil his engagement.

The fate of Members who are unable to fulfil their engagements is announced in Rule 150.

Rule 62.

The Committee will not recognise New Bonds, Stock, or other Securities, issued by any Foreign Government that has violated the conditions of any previous Public Loan raised in this country, unless it shall appear to the Committee that a settlement of existing claims has been assented to by the general body of Bondholders.

Companies issuing such Securities will be liable to be excluded from the Official List.

Rule 63.

The Committee will not, after the restoration of peace, recognise, or allow the quotation of, any Loan raised by a Power whilst at war with Great Britain.

The words "after the restoration of peace" are superfluous, for recognition could hardly be expected while a state of war existed.

Rule 64.

No Member shall enter into bargains in prospective dividends on shares or stock of railway or other companies.

For speculative selling or buying of dividends by persons aware of the distribution to be announced would provide a method of lowering or raising the price of the stock, in which bull or bear operations might at the same time be executed.

Moreover, but for this Rule, a person having preferential information of what a particular dividend was to be could so act as to secure a *certain* profit by taking unfair advantage of such information, e.g., by purchasing at $4\frac{3}{4}$ what was necessarily and within his knowledge worth 5. The use or abuse of preferential information is, of course, not limited to the case of dividends, but in other cases its consequences are usually less positively certain.

Rule 65.

All disputes between Members, not affecting the general interests of The Stock Exchange, shall be referred to arbitration and the Committee will not take into consideration such disputes, unless arbitrators cannot be found or are unable to come to a decision.

N.B.—The Committee strongly recommend that all bargains be checked on the following day.

This Rule clearly recognises the obvious fact that in the course of business on The Stock Exchange cases may arise —indeed are expected to arise—which no existing Rule would unequivocably govern. It also implies that the Committee form the great court of appeal.

Note.—The "N.B." is loose English for a recommendation that bargains be checked on the business day next following that on which they are done.

Rule 66.

No Member shall be obliged to take a reference for payment to a Non-Member; nor shall he be obliged to pay a Non-Member for securities bought in The Stock Exchange.

A logical sequel to Rule 53. Still, in the case of a Broker's default, it is certain that his outside principal can enforce completion of his bargain with the contracting Jobber. Where the bargain is a sale by the outside principal it would probably be "made down" with another Broker, to whom the Jobber would make payment for account of the former against delivery of the securities; and where the bargain is a purchase a "make down" and the converse procedure would ensue.

Rule 67.

Cheques must be passed through the Clearing House, unless the drawer consent to their being otherwise presented. But if a Member require Bank Notes in payment for securities sold, without having made such stipulation at the time of making the bargain, he must give notice to that effect before Half-past Eleven o'clock on the day of delivery, and payment shall be made upon delivery of the securities, or the Bank receipt.

By the crossed cheque system of payment, every Member is given credit through a central institution (The Bankers' Clearing House) for moneys receivable by him, and is debited simultaneously with moneys payable by him. The cheques which he draws are protected by those drawn by others in his favour, the latter being specifically pledged to meet his own drafts.

The option to demand Bank Notes is of course rarely exercised. The Bank Note procedure, involving as it does the necessity of giving notice before Half-past Eleven, is much too cumbrous to be adopted as a system, and is *usually* followed only where grave suspicion attaches to the credit

of the Member to whom securities are being delivered. The remedy of a Member against whom a demand for Bank Notes is made is to make a similar demand against his buyer or buyers in respect of securities which he has sold; but a case can be imagined in which notice for payment in Bank Notes of a large block of stock is received just before 11.30 so as to leave no time to pass a similar notice to a number of buyers whose aggregate payments would suffice to meet the engagement of the Member upon whom the claim for Notes is originally made, and as payment must be made "upon delivery of the securities" (which might take place any time after 11.30), technical default might conceivably ensue. Means would no doubt be found in practice to avert such a consequence, but it is one of the many cases which serve to impress (not always successfully) on Members of The Stock Exchange the necessity of observing a certain ratio between the magnitude of their transactions and the amount of their working capital.

It is to be regretted that the Rule does not specify what length of notice should be given. Under Rule 117 securities to bearer may be delivered on the Settling Day and on the day after the Settling Day from 10 o'clock a.m., and although there is no regulation as to the hours at which delivery of inscribed or registered securities may commence, usage assigns for the former any time after the Bank receipt is obtainable (the earliest possible time being soon after Eleven o'clock), and for the latter 10 o'clock a.m. (as in the case of securities to bearer). A deliverer therefore might be pleased to give notice at 10 o'clock that he would require Bank Notes in payment of certain registered securities or securities to bearer, which he might in fact deliver a few minutes after 10, and it is always to be remembered that the Rule orders payment to be made "*upon delivery* of the securities." This is an extremely hypothetical case, but it is clearly contingent under existing regulations.

The right to demand Bank Notes is not allowed in

respect of differences. Differences are settled by cheque only.

Note.—The grammatical sequence between the second clause of the Rule and the first is faulty. If the first clause is to stand as at present worded, the parts of the second should follow in more logical order, *e.g.*, "Cheques "must be passed through the Clearing House, etc. . . . But a Member who "has sold securities shall be entitled to require payment in Bank Notes upon "delivery, provided he give notice before half-past eleven o'clock on the day "of delivery of his intention to do so."

The real sense of the Rule is that Members delivering securities must accept payment in crossed cheques, and cannot demand cash *unless* they give the notice specified—conversely that they can demand cash *if* they give such notice. The official wording of the Rule, however, throws the wrong part of the second clause into the conditional mood—it does not read that if a Member give notice he may demand cash, but that if a Member intend to demand cash he must give notice. To employ the language of the grammarian, there is here some confusion of protasis and apodosis. The imperfection appears slight and even negligible when the second clause is considered alone, but when it is considered in relation to the first clause the imperfection becomes a conspicuous fault. The logical sequence is obscured, the impression on the reader's mind blurred. For the co-ordinate *thoughts* are:—

Cheques must be passed through the Clearing House

and

A Member may demand cash.

But the co-ordinate *sentences* as the Rule stands are:—

Cheques must be passed through the Clearing House

and

A Member must give notice.

Rule 68.

A seller, having transferred or delivered stock or other securities, has a right to demand payment from the Member who passed him the Ticket; and in case the seller apply to the issuer of the Ticket, and fail to obtain payment, or receive a cheque which is dishonoured, the Member from whom he received the Ticket shall make immediate payment.

Note.—The phrase "or receive a cheque which is dishonoured" is of course intended to mean "or in case he receive a cheque which is dishonoured," not—as grammatically considered, it would be understood to mean—"or fail to receive a cheque which is dishonoured."

The payment for which the immediate (or intermediate)

buyer remains liable would apparently mean the amount of the bargain at the price contracted, and would not include a claim for calls prepaid, for which Rule 99 *post* holds the *issuer of the Ticket* responsible. Rule 103, too, in *releasing* the intermediate buyer *after* Thirteen days from the date of the Ticket, seems to refer to the purchase money only.

The right conferred by this Rule lapses after certain definite periods according to the category of the security in question. In this connection see *post* Rules 103 and 104 (final paragraphs) relating to registered securities and Rule 120 relating to bearer securities.

A Member electing to settle with his immediate buyer under the first clause of the present Rule, must deliver his securities (if they be registered or bearer securities) before Half-past Twelve (vide Rules 111 and 117). Bank Receipts for inscribed stock he must deliver before a Quarter-past Three (Rule 84).

Rule 69.

> A seller may require payment of the difference between the price marked on the Ticket and the making-up price of the day on which the Ticket is tendered, but if such making-up price be above the price of sale, he shall only be entitled to claim the difference up to the price of sale.

There is really no usage that corresponds to this Rule. Few Members are aware of its existence; few or none know what it means. The Rule presupposes that the Ticket is in the seller's hands. In the ordinary course of business, the seller, having debited his buyer at the price of the bargain, would credit him at the price on the Ticket, and (if the latter price were the lower of the two) would *on the Settling Day* collect the whole of the difference, and not merely the difference up to the making-up price, as permitted by this Rule. The only possible inference seems to be that the difference between the price marked on the

Ticket and the making-up price may be claimed *on the day on which the Ticket is tendered.* Thus interpreted, the Rule confers a most valuable right upon the seller of securities deliverable by deed or of inscribed securities. (See remark on Rule 98 *post.*)

Rule 70.

In cases of loans, the lender is not entitled to place beyond his control shares or stock received as security for money advanced; and he may, after reasonable notice, and upon payment of the principal together with interest up to the time for which the loan was originally made, be required to return the identical bonds, or to re-transfer the shares or stock given as security for such loan. But this liability does not apply to a Member who has taken in shares or stock upon continuation.

All continuations shall be effected at the making-up price, or at the then existing market price.

This Rule, whilst prohibiting a lender of money from placing beyond his control (i.e., for the most part from selling or "giving on") the shares or stock upon which the money which he may have advanced is secured, does *not* disable him from borrowing in turn an equal or smaller sum of money on it providing the sub-loan be contracted in the same form as the original loan, that is, in the form of a mortgage, and not in the form of a contango. A lender against mortgaged security would clearly have no right whatever to raise money by "giving on" such security in the market, for he would thus be placing the stock beyond his control, the Member "taking-in" the stock being exempted under the Rule from liability to return identical bonds or to personally re-transfer registered stock or shares.

A "taker-in" indeed is not only exempt from such liability, but is recognised for the period of the contango as the actual proprietor of the security which he takes-in, subject to an obligation to re-deliver an equal amount—so much so that if such securities consisted of bonds which

should meanwhile be redeemed above the carrying-over price, the difference would accrue to him as a personal profit unless stipulation to the contrary were a particular term of the contract. By special arrangement a "giver" would no doubt be able to assert his interest in an impending drawing, but this would cost him an extra "turn" in the rate, which circumstance would itself be a recognition of the taker's proprietorship. Contangoes, moreover, are considered to be bargains, and the case in question is therefore regulated by Rule 126, which declares that "bargains must be settled in securities which have not been drawn." Now, it is obvious that where bonds stand at a heavy discount a drawing may have a quotable value of more than a fractional amount, but whereas a "taker-in" would of right be the beneficiary of any profit on a drawing, he would have to account to the "giver" for any coupon which might be detached. Further proof of the proprietary nature of the lender's interest in stock which he takes in is that in cases where such stock stands at a premium and is repayable at par, it is he, and not the "giver," that runs the risk involved in such conditions, unless special stipulation is made at the time the contango is done. It may be assumed, however, that other circumstances being normal, the imminence of a drawing will under his auspices mean a very stiff rate of contango where the stock stands at a premium and no stipulation as to identical bonds is made, even if the rate be not proportionately light when the price is under par.

Lastly, it would be impossible to apply in general terms to the "taker-in" of stock upon continuation the liability to return the identical bonds or deeds which is imposed on the lender of money on collateral security, for in many cases stock is "taken-in" not with the purpose of employing money, but in order to temporarily cover a "bear" commitment.*

* The terminology in respect of contangoes is not very discriminating, either as employed in the Rules or in the market. For example, "to take

The concluding phrase of the final clause, "the then existing market price," is vague. It means the price existing at the time the "continuation" is effected, and it applies especially to those securities in which the market is so limited that there is no recognised making-up price. "The then existing price" would be arrived at by mutual arrangement between the immediate parties.

The clause does not intend to give a choice as between "the make-up price" and "the then existing market price."

Reference to Rules 88, 109, and 121 will show that the make-up price is the same thing as "the then existing market price," and, where a make-up price has been fixed, no other existing market price can be assumed.

Rule 71.

Buying-in or Selling-out must be effected publicly by the officials of the Buying-in and Selling-out Department appointed by the Committee for General Purposes, who shall trace the transaction to the responsible party and claim the difference thereon.

The official charges for Buying-in and Selling-out might with propriety be stated here. Disclosure is always made on the Official Broker's contract-note, but it will be evident after a perusal of Rules 106 and 119—enabling the official to attempt the Buying-in of the same stock day after day

in *upon continuation*" could not accurately describe a contango in which neither party had a "position" open—where the one party in fact was simply employing money remuneratively and the other was simply borrowing money for use. "Continuation" inevitably suggests postponement of settlement and contradicts the idea of an entirely new transaction; but in the context in which it is used in this Rule it does indicate the class of contango instanced above. On the other hand, no particular context could divest it of its fundamental meaning, and the regulation in question may therefore be taken as applying to *all* contangoes, whether they consist of bargains carried over or themselves constitute new bargains. The utility of a fixed making-up price for contangoes is so great as to amount almost to a necessity, for if every contango involved the discussion of price as well as of rate the task of arranging the Account would be insuperably arduous.

until he succeeds—that a perfect knowledge of the expenses incident upon his mediation is highly desirable. They are on the following scale:—

On British and Foreign Government Securities	$\frac{1}{8}$ per cent.
On Colonial and Corporation Securities	$\frac{1}{4}$,,
On Debenture Bonds and American Bonds	$\frac{1}{4}$,,
On Stock	$\frac{1}{2}$,, on the money.
On Shares	
under 5s	1½d. per share.
5s. and under £1	3d. ,,
£1 and under £2 10s.	6d. ,,
£2 10s. and under £5	1s. ,,
£5 and under £10	1s. 6d. ,,
£10 to £20	2s. ,,
above £20	$\frac{1}{2}$ per cent. on the money.

If a first attempt to Buy-in is successful, then full commission according to the above scale is charged; if unsuccessful, only half commission. Should several attempts have to be made, the commission is levied as follows:—

First attempt	half commission.
Second attempt	no commission.
Third attempt	half commission.
Fourth attempt	no commission.
Fifth attempt (successful)	full commission.

Supposing, however, that the fourth attempt in the above series were successful, then only half commission would be charged, as half commission would already have been charged on the attempt immediately preceding. The half commission levied upon an unsuccessful attempt by the Official Broker is charged direct to the "responsible party," and is collected at once of him.

The final sentence of the Rule might be understood to imply a different procedure from that which actually takes place. As will be plain to those who are familiar with what occurs in the event of the Official Broker's mediation, there may be a difference to *pay* to the "responsible party," although it may have to be claimed of somebody

else. For the benefit of those who do not enjoy this familiar knowledge, it may be useful to examine a supposititious case. F (a Broker) sells to E (a Jobber) 100 non-clearing registered shares at 6; E in turn sells to D at $6\frac{1}{4}$, D to C at $6\frac{1}{2}$, C to B at $6\frac{3}{4}$, and B to A (another Broker) at $6\frac{7}{8}$. F (who is the deliverer) does not receive a Ticket by Half-past Two on the Ticket-day, and on his instructions (based upon Rule 103 or 104) the shares are sold out by the Official Broker to G at 7. We will suppose that A (the Broker taking-up) did not issue a Ticket in time (see Rules 103 and 104), but did issue a Ticket (although late) before the shares were known to have been sold out, that such Ticket has been passed on from hand to hand as far as C, and that the price on the Ticket is $6\frac{7}{8}$ (A's purchase price). The subsequent procedure is as follows:—The Buying-in and Selling-out Department opens an account with G and with F, the former it debits with the sale at 7 (£700), and credits at the price of the Ticket (not to be confused with A's Ticket), which G in the natural course of things issues to it; the latter it credits at the price of sale, less authorised official charges (*i.e.*, with £700 less £7 10s. = £692 10s.), and debits at the price of G's Ticket, the official charges being thus collected by the Department in account between G and F. F completes the transaction by delivering the shares to G against payment at the price of G's Ticket.

The Department next informs E (against whom the shares were nominally sold out) of the particulars of the sale, and asks him whether he is the member taking-up the shares, or, if not, whether he has received a Ticket from his buyer. E (as we have seen) is not taking-up the shares, and has not received a Ticket; he accordingly refers the Department to D. Meanwhile, he closes the bargain in his books by debiting F with the nett amount of the sold-out note and crediting D with the same sum; F of course having already credited E and debited the Department with the nett amount of the sold-out note (or official contract-note). The trace is continued in the same

until he succeeds—that a perfect knowledge of the expenses incident upon his mediation is highly desirable. They are on the following scale:—

On British and Foreign Government Securities	$\frac{1}{8}$ per cent.
On Colonial and Corporation Securities	$\frac{1}{4}$,,
On Debenture Bonds and American Bonds	$\frac{1}{4}$,,
On Stock	$\frac{1}{2}$,, on the money.
On Shares	
under 5s	$1\frac{1}{2}$d. per share.
5s. and under £1	3d. ,,
£1 and under £2 10s.	6d. ,,
£2 10s. and under £5	1s. ,,
£5 and under £10	1s. 6d. ,,
£10 to £20	2s. ,,
above £20	$\frac{1}{2}$ per cent. on the money.

If a first attempt to Buy-in is successful, then full commission according to the above scale is charged; if unsuccessful, only half commission. Should several attempts have to be made, the commission is levied as follows:—

First attempt	half commission.
Second attempt	no commission.
Third attempt	half commission.
Fourth attempt	no commission.
Fifth attempt (successful)	full commission.

Supposing, however, that the fourth attempt in the above series were successful, then only half commission would be charged, as half commission would already have been charged on the attempt immediately preceding. The half commission levied upon an unsuccessful attempt by the Official Broker is charged direct to the "responsible party," and is collected at once of him.

The final sentence of the Rule might be understood to imply a different procedure from that which actually takes place. As will be plain to those who are familiar with what occurs in the event of the Official Broker's mediation, there may be a difference to *pay* to the "responsible party," although it may have to be claimed of somebody

else. For the benefit of those who do not enjoy this familiar knowledge, it may be useful to examine a supposititious case. F (a Broker) sells to E (a Jobber) 100 non-clearing registered shares at 6; E in turn sells to D at 6¼, D to C at 6½, C to B at 6¾, and B to A (another Broker) at 6⅞. F (who is the deliverer) does not receive a Ticket by Half-past Two on the Ticket-day, and on his instructions (based upon Rule 103 or 104) the shares are sold out by the Official Broker to G at 7. We will suppose that A (the Broker taking-up) did not issue a Ticket in time (see Rules 103 and 104), but did issue a Ticket (although late) before the shares were known to have been sold out, that such Ticket has been passed on from hand to hand as far as C, and that the price on the Ticket is 6⅞ (A's purchase price). The subsequent procedure is as follows:—The Buying-in and Selling-out Department opens an account with G and with F, the former it debits with the sale at 7 (£700), and credits at the price of the Ticket (not to be confused with A's Ticket), which G in the natural course of things issues to it; the latter it credits at the price of sale, less authorised official charges (*i.e.*, with £700 less £7 10s. = £692 10s.), and debits at the price of G's Ticket, the official charges being thus collected by the Department in account between G and F. F completes the transaction by delivering the shares to G against payment at the price of G's Ticket.

The Department next informs E (against whom the shares were nominally sold out) of the particulars of the sale, and asks him whether he is the member taking-up the shares, or, if not, whether he has received a Ticket from his buyer. E (as we have seen) is not taking-up the shares, and has not received a Ticket; he accordingly refers the Department to D. Meanwhile, he closes the bargain in his books by debiting F with the nett amount of the sold-out note and crediting D with the same sum; F of course having already credited E and debited the Department with the nett amount of the sold-out note (or official contract-note). The trace is continued in the same

until he succeeds—that a perfect knowledge of the expenses incident upon his mediation is highly desirable. They are on the following scale:—

On British and Foreign Government Securities	⅛ per cent.	
On Colonial and Corporation Securities	¼ ,,	
On Debenture Bonds and American Bonds	¼ ,,	
On Stock	½ ,,	on the money.
On Shares		
under 5s	1½d. per share.	
5s. and under £1	3d. ,,	
£1 and under £2 10s.	6d. ,,	
£2 10s. and under £5	1s. ,,	
£5 and under £10	1s. 6d. ,,	
£10 to £20	2s. ,,	
above £20	½ per cent.	on the money.

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On Debenture Bonds and American Bonds	$\frac{1}{4}$,,
On Stock	$\frac{1}{2}$,, on the money.
On Shares	
under 5s	1½d. per share.
5s. and under £1	3d. ,,
£1 and under £2 10s.	6d. ,,
£2 10s. and under £5	1s. ,,
£5 and under £10	1s. 6d. ,,
£10 to £20	2s. ,,
above £20	½ per cent. on the money.

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way until C is reached, of whom A's Ticket (issued at 6⅞) is "picked up." With C the Department opens an account, debiting him with the nett amount of the sold-out note (i.e., £692 10s.) and crediting him at the price of A's Ticket (i.e., with £687 10s.), C of course closing his account with D by debiting him with the nett amount of the sold-out note (£692 10s.). B is not disturbed, his account both with C and with A having been closed in the customary way by the circulation of A's Ticket. But with A the Department opens an account; it hands A back the original Ticket (issued at 6⅞) together with the official contract-note, debiting him accordingly with £687 10s., the amount of the former, and crediting him with £692 10s., the amount of the latter.*

Thus, although in this case there was a difference of £5 to be claimed of C, there was a difference of equal amount to be paid to A, that is, in terms of the Rule, to the "responsible party."

Nor must the wording of the Rule be taken to imply that the penalty of the "responsible party" is defined by the difference claimed of or paid to him. The most that may be inferred is that in determining that difference the official charges have been accounted for. There is naturally no official cognisance of loss that may be incurred on any fresh

* In the above illustration the shilling contract stamp has for simplicity's sake been ignored. As a matter of fact the nett amount of the official contract-note would, in the instance cited, be £692 9s., not £692 10s. Nevertheless, the "make-up" would, as described, go all through the accounts on the trace at £692 10s., the shilling stamp appearing only in the account opened by the Buying-in and Selling-out Department with A—the Member to whom the official contract-note is rendered—who would, in reality, be credited with £692 9s., not £692 10s. For it sometimes happens that in tracing out the "responsible party" a sale is found to have been so split up as to involve several parties in responsibility and to necessitate several contract-notes. And, whereas the amount of the official sale, if declared in one contract-note, might require a shilling stamp, such amount when subdivided might require on each of the several contract-notes only a penny stamp. Hence the usage of making-up sold out stock without accounting for the contract stamp until the responsible party or parties be reached.

operation resulting from the official sale, but it should be clearly realised that the responsible party's total possible loss in a simple case of selling-out is made up of (1) the official charges, (2) the contract stamp, and (3) any excess over the amount of the official contract-note that he may have to pay in buying back the securities of which the official sale may have left him a "bear."

This is perhaps the best place to point out that an intermediary upon whom liability for stock sold-out may devolve will expose himself to the risk of having the same stock bought-in if he does not himself re-purchase it before Buying-in Day (see Rules 83, 106, 119), and that the penalty on buying-in corresponds in detail *mutatis mutandis* to that consequent on selling-out.

The "responsible party" would, however, make a *profit* in re-purchasing stock sold-out if the price fell sharply before his re-purchase, and similarly in re-selling stock bought-in if the price meanwhile rose sharply. But, again, it must be remembered that the prices obtained or paid by the Official Broker are usually disadvantageous to the "responsible party," as he has to *openly* solicit bids or offers, and is practically obliged to deal. This circumstance contributes, with the charges and the stamp, to diminish the advantage of a subsequent favourable movement in price.

Where the "responsible party" in a case of selling-out a non-clearing stock is a Member who has failed to issue a Ticket at all, the only item in the account between him and the Buying-in and Selling-out Department (represented by the Official Broker) is the contract stamp; the charges are collected in account between the Member selling-out and the Member purchasing of the Official Broker, as explained in the above illustration.

In the case of a clearing stock the "make-up" goes through the books of Members on the trace—not at the amount of the contract-note, but at the making-up price. In such a case the Buying-in and Selling-out Department

has difference to settle only with the Member who purchases "at the hammer" (G) and with the "responsible party" (A), to whom the contract-note is delivered and credited. In this case it will be noted the official charges are collected in account, not between the Member selling-out and the Member purchasing "at the hammer," but between the Member purchasing at the hammer and the "responsible party."

When stock is bought-in, the procedure is quite simple. The Buying-in and Selling-out Department opens accounts only with the "responsible party" (in all probability the Member who has the Ticket over), and with the Member who supplies the stock at the hammer. All the other Members on the trace will, in the case of a non-clearing stock, have had their accounts closed by the passage of the Ticket which would have been issued by the Member who eventually buys in, or, in the case of a clearing stock, by being cleared. The Member who buys-in gives a duplicate Ticket to the Official Broker, who hands it to the Member supplying the stock to deliver on. The original Ticket, which the Official Broker traces out and seizes from the Member who "has it over," is a dead Ticket once the stock to which it related has been bought-in. In the books of the Buying-in and Selling-out Department the Member supplying the stock "at the hammer" would be credited at the price at which the Official purchased, and debited at the price on the duplicate Ticket, which is handed to him. The Member who had the original Ticket "over" would, on the other hand, be credited at the price on the original Ticket (the same of course as that on the duplicate) and debited at the price of the official purchase plus charges and stamp. The official contract-note is delivered to the member who has the original Ticket "over."

The right of buying-in or of selling-out does not attach to intermediaries.

The Member upon whose instructions the Official Broker

acts in the exercise of either duty is debarred from supplying the securities in the one case and from purchasing them in the other.

Rule 72.

Bonds, shares, or other securities, shall not be bought in while they are known to be out of the control of the seller for the payment of calls, or the receipt of interest, dividends or bonus; and the Committee, on being applied to, will fix a day on which they may be bought in.

This Rule is confirmed in a general way by Rule 102.

Rule 73.

In the settlement of all bargains, dividends are to be accounted for at the nett amount receivable after deduction of Income Tax.

In the case of dividends payable only abroad, the Secretary to the Share and Loan Department shall fix a price for the coupons in sterling money, which shall be posted in The Stock Exchange, and at which the dividends shall be accounted for.

Securities to bearer are not deliverable on the Settling-day without the current coupon.

Securities to bearer, with coupon payable on the Settling-day shall be delivered ex-coupon.

When the dividend is payable after the Settling-day, outstanding bargains in Securities to bearer shall be settled with the current coupon, otherwise the buyer shall have the right to demand the market value of the coupon, which, in case of dispute, shall be fixed by the Secretary to the Share and Loan Department.

This Rule would more logically follow Rule 147, and its application would be clearer in that sequence.

Rule 74.

Thirteen clear days between delivery and the closing of the Books of the Company shall be allowed by the Seller to the Buyer of Shares of American Railway

Companies, in order to afford time for transmission of the Certificates to New York and Philadelphia.

Note.—This Rule, like its immediate successor, is a curiosity insomuch as its real subject-matter is not named. It presupposes too much insight in the reader. A lay reader, uninstructed in the ins and outs of Stock Exchange procedure, would ask: "But for what purpose are the certificates transmitted to New York and Philadelphia? Is it to kill time till the thirteen days are up?" Surely the term "Dividend" has somewhere a right to a place between "Thirteen" and "Philadelphia"!

The effect of the Rule is to impose on the seller the responsibility of providing an impending dividend in cases where the Company's transfer books close within thirteen days of the delivery of the Certificate to the buyer. If the books do *not* close within that time, the buyer cannot *claim* the dividend by *right* of the seller even in the event of the registered holder perverting it. That is the strict theoretical state of the matter; but in practice American railway shares are often allowed to circulate for years in the names enfaced on them when such names are considered "good."

Rule 75.

Six weeks between delivery and the closing of the Books of the Company shall be allowed by the Seller to the Buyer of shares of South African Companies having registration offices in South Africa only, in order to afford time for transmission of the Certificates thereto.

Rules 74 and 75 may both be advantageously read in conjunction with Rule 92, which they merely supplement with a little detail. Rule 75 was probably conceived in the time of the first South African mining boom when but few of the Rand Companies had offices in London. To-day there are but few that have not. Rules 146 and (more particularly) 147, appointing the periods at which the various classes of securities are to be quoted ex-dividend or ex-interest, may also be read in series with the above-mentioned Rules.

Rule 76.

All optional bargains for the Consols Account shall be declared at a Quarter before Three o'clock Two days before the Account-day, and those made for a Foreign Settlement shall be declared at a Quarter before One o'clock on the first Making-up day.*

Options for any other day must be declared at a Quarter before Three o'clock, or on Saturdays at a Quarter before One o'clock.

This Rule either omits to state that options in mining shares must be declared at a Quarter before One o'clock on the carry-over day for such shares, or, if the mining carry-over day be regarded as the first Making-up day, it orders the declaration *on that day* of all optional bargains done for the Foreign Settlement, even in those stocks which are not carried over until the day following! The words "first Making-up day" should be followed by "of whatever be the security in question," or some such qualifying phrase.

It is to be noted that in the special circumstances in which (as mentioned under Rule 109 *post*) an extra Making-up day for certain securities is prefixed to the fortnightly (or so called "Foreign") Settlement, the time for the declaration of options in those securities is usually announced to be unaffected by such exceptional regulations, that is to say, it remains subject to the intention of Rule 76.

The Rule might, without fulsomeness, state that formal declaration by the person giving the option-money is not necessary unless the price at "option time" be identical with that at which the option was done. Except in that single case options are held to declare themselves, and if a Member wishes to declare an option otherwise than in the sense indicated by the comparison of prices, he must explicitly state his intention at or before option time.

The official hours of The Stock Exchange are from 11 to 3 (on Saturdays 11 to 1), and the times for declaring

* Proposed to alter to 2.45 on day before first Making-up day. (See Addendum.)

options have apparently been fixed with a view to allowing an option the longest currency possible within those hours, and leaving at the same time a slight margin after the declaration for carrying-over or for dealing and officially marking bargains.

The reason a Quarter to One is fixed for options maturing at the Foreign Settlement (i.e., the fortnightly Settlement), is no doubt that (according to Rules 89 and 112) up to One o'clock on that day bargains are done for the existing Account, whilst after One o'clock they only rank (unless otherwise stipulated) for the new Account. Perhaps, in view of actual market usage, as described in the observations upon Rules 89 and 112, Twelve o'clock or earlier would be a more convenient hour than 12.45 for the declaration of options.*

For a full exposition of option dealing—perhaps the most fascinating of all Stock Exchange operations—the reader is referred to the "*Put* and *Call*" by Leonard R. Higgins (Effingham Wilson).

The term "Foreign Settlement" is a loose expression meaning the ordinary fortnightly Account—the Account for which bargains in foreign stocks are usually done. A more customary, and a less objectionable, term is "Share Account."

With regard to the second clause of the Rule, it may be mentioned that the money "given" on options done for any day other than a recognised Settling Day does not become payable until the Settling Day. In this respect such option bargains are subject to Rules 78, 89, and 112.

It was proposed, but not resolved, to add a clause to the present Rule providing that when the House was closed by order of the Committee on a business day, all options due on that day should be declared on the following business day. This proposal was the subject of much vivacious discussion. Its critics illustrated their objections in various ways, the following being one of the most interesting:—

* A modification of the Rule is under consideration.

A speculator buys stock on a Friday "call o' more to-morrow." On Saturday morning the news of some event of great public concern induces the Committee to close the House forthwith. On Sunday a battle which had been impending is delivered, or something else of international moment which had been expected by the aforesaid speculator to happen on Saturday takes place. The option call o' more is continued till Monday, and is *then* declared, *i.e.*, *after* the all-important event instead of before it.

The answer to this objection is that the taker of option money, knowing the Rule, would charge for the new risk when making his bargain. In any case, it would seem desirable that the question should be regulated by a "General Rule," and as precedent in the sense of the proposed addendum was alleged to have been already created by special decision of the Committee, no *additional* risk could be said to be imposed on the taker of option money; on the contrary, being forewarned, he would consequently be forearmed against a risk which he might otherwise have overlooked.

Rule 77.

The hours of business in The Stock Exchange are from Eleven until Three o'clock. On Saturdays business will close at One o'clock.

When the Ticket-day is fixed for a Saturday, the House will be kept open until THREE o'clock, for the purpose of the Settlement only, the regulations for which shall be the same as on ordinary Ticket-days.

The Stock Exchange will be closed on the following days, viz.:—

1st January,
Easter Monday,
1st May,
Whit Monday,
The First Monday in August,
1st November,
26th December,

unless specially ordered otherwise by the Committee.

When either the 1st January, 1st May, 1st November, or 26th December falls on a Sunday, the House will be closed on the day following.

Clients in general are more conversant with the Usages than with the Rules of The Stock Exchange. They are aware that Members assemble about Half-past Ten, that the "House" is not closed until Four, and that from the hour of assembling until the closing of the "House" there is a market in almost all known stocks and shares. A knowledge of these facts is practically universal, but it would not be supererogatory if Clause I. intimated that, albeit the hours stated are the official hours, business is not refused either before or after.

The expression "from Eleven until Three o'clock" is understood in the "House" to limit the time for "marking" bargains in the Official Price List, to circumscribe the period during which the Official Broker's functions may be exercised and to determine the hours between which defaulters may be publicly "declared."

RULES APPLICABLE TO ENGLISH, INDIA, CORPORATION AND COLONIAL GOVERNMENT INSCRIBED STOCKS, &c.

Rule 78 (corresponds to Rules 89 and 112).

All bargains, when no time is specified, shall be considered as made for the existing Consols Account, except bargains in Colonial Government Stocks, which shall be for the Foreign Settling-day.

Such is the Rule, but it is better when dealing in Corporation Stocks to specify the Consols Account if that is the maturity intended; otherwise the bargain will probably be assumed as for the Share Account (Foreign Settling Day). Again, very small transactions in English and in India Stock are taken to imply immediate settlement, and the price which a dealer would make in them would be a *cash* price. In such transactions the period for which a bargain is intended is usually mentioned at the time of dealing.

It must be noted also that bargains in the scrip or bonds of a new loan are considered as made for Special Settlement (Rule 131).

Furthermore, in cases of default, bargains are closed *forthwith* under the provisions of Rule 177; but the differences ascertained by the procedure laid down in that Rule do not become payable until the date for which the bargain was originally contracted (Rule 178), and therefore, of course, where the scrip and bonds of a new loan are concerned, such differences are only payable providing a Special Settlement is appointed.

Rule 79.

Any claim arising from a bargain effected for a future Account more than Eight days previously to the close of the pending Account will not be allowed to rank against a defaulter's estate until all other creditors have been paid in full.

As far as this Rule governs bargains in English and India Stocks, it approximates to Rules 90 and 113, regulating respectively transactions in securities delivered by deed of transfer and in securities to bearer; for the maximum period contemplated in this Rule would be Five weeks, whilst the sanction of Rules 90 and 113 is limited to a maximum period of about Six weeks. Bargains in Colonial Government Stocks are treated with less consideration: "recognition" (to adopt the language of a former version of the Rule) will not follow unless they are consummated within about Three weeks of their inception. That at least would be the position in case of a literal application of the Rule.

Further reference is made to this Rule in the remarks upon Rule 131.

The fixing of the Settlement is determined by Rule 140, *q.v.*

Note.—The diction of Rule 79 is at fault. "Any claim . . . will not" is an infelicitous alternative for "no claim . . . will." Further, the opposition between "Any *claim*" at the beginning of the Rule and "all other *creditors*" near the end is imperfect.

Rule 80.

An offer to buy or sell a sum of stock, at a price named, is binding as to any part thereof; and an offer to buy or sell stock, when no amount is named, is binding to the amount of £1,000 stock.

Note.—This Rule is better expressed than either of the corresponding Rules 91 and 114; it is terse as compared with the former and pellucid as compared with the latter. It has, nevertheless, a literary fault. The fault consists primarily in employing the phrase "at a price named" in the first clause of the Rule and in omitting it from the final clause, whilst borrowing one of its parts (the word "named") to identify an expression which does

not even correspond to it; and secondly, in describing by two different words—"sum" in the first clause and "amount" in the last—ideas which do not merely correspond but are literally identical. The present arrangement sets up in the reader's mind an involuntary expectation of absolute nonsense, the natural literary sequence of the final clause being "and an offer to buy or sell stock when no *price* is named," etc.

Moreover, certain stocks (as for instance some of the Corporation Stocks and all the Bearer Stocks) are transferable only in particular multiples, and an offer to buy or to sell could in such case only bind in such amounts—not in *any* part of the sum mentioned.

One way amongst many of expressing this Rule correctly would be: An offer to buy or to sell a specified sum of stock is binding at the price named as to any transferable part thereof; if no sum be specified, an offer is binding as to any transferable part of £1,000 stock.

Rule 81.

If the seller of English, India, or Corporation Stock shall not receive from the purchaser a Transfer-Ticket by Ten minutes before One o'clock, he may demand two shillings and sixpence for each transfer fee, which may be paid for the actual transfer of such stock. On a Settling-day, if the Transfer-Ticket is not delivered by a Quarter before One o'clock, the seller may claim of the purchaser, two shillings and sixpence for every £1,000 stock.

If the seller shall not receive a Transfer-Ticket before Half-past One o'clock on the day it was contracted to deliver the said stock, he may sell out the same and claim of the person who held the Ticket at Half-past One o'clock any loss or charge incurred.

If the Ticket has not been issued before Half-past Twelve o'clock, any loss or charge incurred shall fall on the Issuer of the Ticket. On Saturdays stock may be sold out at a Quarter to One o'clock.

In the ordinary course, Transfer-Tickets must be lodged at the Bank before One o'clock. It is therefore not unreasonable that sellers should require Tickets from their buyers a few minutes before One o'clock. The 2s. 6d.

per Thousand pounds stock claimable on Settling Days in the circumstances described in this Rule must not be confused with the late transfer fee of 2s. 6d. which may be charged after 12.50 on non-Settling days. It is alternative to the latter, is in the nature of a *fine*, and is invariably exacted. At a Quarter to One the market rigidly "draws the line," and buyers late in passing tickets have to pay the penalty. The late *fee* of 2s. 6d. per transfer authorised on non-settling days would, on the other hand, never be charged unless actually paid by the seller to the Bank.

The Tickets employed in the transfer of the group of securities under discussion are (unlike those used in the case of securities deliverable by deed of transfer and securities to bearer) of special form, and are obtainable from the Bank of England or other appointed agent. Directions for filling up the Tickets used in the case of securities deliverable by deed of transfer and of securities to bearer are given in Rules 94 and 117 respectively; the present Rule leaves such particulars to be ascertained by common sense. It may be permitted to enumerate them as:—

(1) The date of issue;
(2) The amount and designation of the stock to be transferred;
(3) The price (either the actual price of the bargain or some other price which has been recorded within the term of the Account);
(4) The name, address, and description of the transferee;

followed by

(5) An indication as to whether the account in the Books of the Bank is an old or a new account;
(6) Usually the stamp of the Member issuing the Ticket.

These details are filled in by the issuer of the Ticket; the deliverer completes the particulars by filling in the name, address, and description of the transferor.

Rule 117 forbids the splitting of Tickets in the case of

bearer stocks (except by the Settlement Department), whilst Rule 94 recognises the custom of splitting Tickets for stock deliverable by deed of transfer; in the case of the former the obstacle is the denomination of the bonds and the difficulty of tracing; in the case of the latter the point considered is the *ad valorem* stamp and the registration fee. Inscribed stocks as a rule present no such difficulties; with some exceptions they may be transferred in any amount without charges. Tickets may consequently be split.

The second and third paragraphs of the Rule correspond to Rules 82, 103, 104, and (less closely) to Rule 116.

The term "seller" in the second paragraph may be assumed to mean "ultimate seller." "Deliverer" is the term employed in Rules 82, 103, and 104.

Stock cannot be purchased of the Official Broker by the member who gives the order to sell it out.

Rule 82.

The buyer of Colonial Government Inscribed Stocks for the Account must issue Tickets before Two o'clock on the Ticket-day, and the deliverer of Colonial Government Inscribed Stocks who shall not receive a Ticket by Three o'clock on the Ticket-day, may sell out on the Settling-day, or on any following day.

If a Ticket shall not have been regularly issued before Two o'clock on the Ticket-day, the issuer thereof shall be responsible for any loss occasioned by such selling-out. Should a Ticket have been regularly put into circulation, the holder at Three o'clock on the Ticket-day shall be liable. In case of selling-out on any subsequent day, the holder of the Ticket at Three o'clock on the previous day, or at One o'clock on Saturdays, shall be liable. Should, however, undue delay in passing the Ticket be proved, the Member causing such delay will be held responsible.

This Rule corresponds to the last two paragraphs of Rule 81, and to Rules 103, 104, and 116.

Rule 83.

Stock bought for a specified day, and not then delivered, may be bought in on the following day at Eleven o'clock, and the Member causing the default shall pay any loss incurred, and also, in the case of English and India Stocks dealt in for the Settling-day, one-eighth per cent. for the non-delivery of the stock. This fine shall attach to all stock not delivered, whether it shall have been bought-in or not.

(Corresponding Rules 106 and 119, which see.)

The fine here mentioned is very rarely enforced. The "Settling Day" for English and Indian Stocks means the Consols Account Day, and the fact that the Rule does not subject Corporation Stocks to the fine in question corroborates the observation made on Rule 78, that transactions in these stocks are often, and even usually, done for the Share Account.

"Default" is a term with a highly sinister signification, and its use in the sense in which it is here employed is objectionable. "Delay" is the word. It is to be observed that in the case of securities deliverable by deed of transfer dealt in for any period and of securities to bearer dealt in for the Settling Day, stock cannot be bought in until One hour's public notice has been posted in the market, but that stock of the class considered under this group of Rules may be bought in without notice.

The Member by whose order stock is bought in would not be permitted himself to supply the demand of the Official Broker.

Rule 84.

Stock receipts must be delivered by Half-past Three o'clock; but if a deliverer elect (under Rule 68) to deliver a stock receipt to the Member with whom he has dealt (such Member not being the issuer of the Ticket), he shall deliver such receipt by a Quarter-past Three o'clock.

Stock receipts must be delivered by Half-past One o'clock on Saturdays.

English and India Government, and Corporation Securities to bearer, must be delivered before Three o'clock, or before One o'clock on Saturdays.

(Compare Rules 111 and 117.)

We are told at what time delivery must cease, but not at what time it may commence. In the case contemplated by Rule 67, wherein payment must be made "upon delivery," the question becomes important. Neither are we told at what hour *on Saturdays* a Stock receipt must be delivered to a buyer who is not the issuer of the Ticket; the case does not arise often enough to have instituted a usage, and there is accordingly the more necessity for a Rule.

Rule 85.

When stock is borrowed without any stipulation as to its return, the borrower or lender may be called upon to deliver or take it on the following day, whether a regular Transfer-day or not.

By *regular* Transfer-day is probably meant any day on which transfers may be made *free*, as, for instance, in the case of Consols and Bank Stock, Monday, Tuesday, Wednesday, Thursday, and Friday. Transfers on Saturday cost 2s. 6d. each.

Rule 86.

In cases of loans on the deposit of stock, when the striking of the balances for dividend takes place before repayment of the loan, the lender shall allow the dividend, deducting interest thereon till the day of payment of, and at the same rate as, the loan.

We have here a case in which the market practice is not modelled upon the Rule. The Rule quoted is not clear, but it is presumed to mean that in the case described the lender of the money shall *at once* (that is to say, as soon

as the balances are struck) credit or pay to the borrower the amount of the dividend in question under a discount at the same rate as the interest which he is receiving on the loan. For example:—On 15th August A lends B £10,000 at Five per cent. on the security of £13,000 Consols till some date after the 1st September. The balances for the October dividend on Consols are struck, we will suppose, on the night of September 1st. On September 2nd Consols are quoted ex-dividend, and, acting under the Rule, B may demand payment from A on that date of the amount of the dividend on £13,000 Consols (viz., £89 7s. 6d.), less Five per cent. It is to be understood that A will come into the full dividend on (but not before) the 5th October. Now, if the loan falls due on 15th September, the £10,000, plus interest at Five per cent., will be repaid to A on that date, and the £13,000 Consols (plus or minus whatever amount may have been added or withdrawn to keep to the pre-arranged margin during the currency of the loan) re-transferred to B *ex-dividend*. A will have advanced to B £89 7s. 6d., less interest at Five per cent. *up to 15th September* (see text of Rule) in reimbursement of which advance he will receive a dividend warrant for £89 7s. 6d. on the *5th October*, so that for Twenty days he is out of £89 7s. 6d. without receiving any consideration in the way of interest or discount.

If, on the other hand, the loan should not fall due until 15th October, then, according to the letter of the Rule, A will have enjoyed a discount calculated up to that date on money into which he has re-entered ten days before.

In the one case B seems to get the better of A, and in the other A seems to get the better of B.

An opinion has been expressed that the date up to which the deductable interest should be reckoned should be the date upon which the dividend is actually due and payable—in the instance cited the 5th October.

As to the time at which stock becomes ex-dividend, see *post* Rule 146.

Rule 87.

Purchasers of Bank Stock may require, at the seller's expense, as many transfers as there are even thousand pounds stock in the sum bargained for.

But on amounts under £500 stock, the Broker, whether he be buyer or seller, pays for the transfer; the Jobber pays only when he sells £500 stock or more. The transfer charges on Bank Stock are as follows:—

9s. on amounts up to £25 inclusive (1s. 3d. fee and 7s. 9d. stamp).

12s. on amounts above £25 inclusive (4s. 3d. fee and 7s. 9d. stamp).

Rule 88.

The Clerk of the House shall fix the making-up prices, by taking the average price between Eleven and One o'clock on each of the two days preceding the Account, and in the case of English, India, and Corporation Stocks between Eleven and a Quarter before One o'clock on the Settling-day; and no making-up shall be binding unless at such fixed prices.

(Compare Rules 109 and 121.)

The meaning of this Rule is necessarily uncertain to all who are ignorant of what actually takes place. We are left in doubt as to whether (1) English, India, and Corporation Stocks make up on the Consols Account Day only whilst other inscribed stocks (Colonial Government) make up on each of the two days preceding the Share Account Day, whether (2) English, India, and Corporation Stocks make up on the Share Account Day and the two days preceding and also on the Consols Account Day and the two days preceding whilst other inscribed stocks (Colonial

Government) make up on each of the two days preceding either Account Day, or whether (3) English, India, and Corporation Stocks make up only on the Consols Account Day and on the two preceding days whilst other inscribed stocks (Colonial Government) make up only on the two days preceding the Share Account Day.

The third interpretation is the one which conforms to fact, but the Rule as it reads gives the theorist a triple choice.

Note.—There is a curious vacillation in the alternate use of the terms "Account" and "Settling Day." Perhaps the former is a literary subtlety for "Share Account" or "Foreign Settling Day," and the latter an elegant abbreviation of "Consols Settling Day." If so, it is a pity that some uniformity is not observed in the employment of such conventionalities, for in Rule 78 *ante*, the term "Account" is used of the Consols Settlement and the term "Settling Day" of the Share Account.

As to "making-up," see *post* observations on Rule 109.

RULES APPLICABLE TO SECURITIES DELIVERABLE BY DEED OF TRANSFER.

Rule 89.

Bargains in stocks and shares, when no time is specified, shall be considered as made for the existing Account; but those made after One o'clock on the first Making-up day, shall, unless otherwise specified, be for the ensuing Account.

Rule 89 corresponds to Rules 78 and 112, but is subject to Rule 131 as regards the securities of a new Company, and to Rule 177 in the event of default (in which event the "hammer" bargains are for the same date as the bargains which they close).

Note.—It is only recently that the words "first Making-up day" have been substituted for "day before the Ticket-day." This is a well-intended alteration, as it may be demonstrated to adopt the practice (formerly ignored in the Rules) of dealing for the new Account in Mining Securities on the first Mining Contango-day or Making-up day; but at best the Rule only adopts the practice from one o'clock, whereas the practice may be said actually to date from twelve o'clock. And, again, the propriety of using one and the same expression to denote two distinct dates is questionable, especially as the so-called "Foreign Contango-day" was alternatively known as the "first Making-up day." If "first Making-up day" in respect of Mining Securities means a certain Friday, it will mean the ensuing Monday in respect of Railway Securities. (By *Mining Securities*, Securities dealt in in the Mining Markets is intended, as distinguished, for instance, from Rio Tinto shares, which although a Mining Security, are dealt in in the Foreign Market and are carried over on the Making-up day that immediately precedes the Ticket-day and follows the first *Mining* Making-up day.)

Rule 90.

Any claim arising from a bargain effected for a period beyond the ensuing two Accounts will not be allowed

to rank against a defaulter's estate until all other creditors have been paid in full.

Further reference to the present Rule is made in the remarks upon Rule 131.

The fixing of the Settlement is determined by Rule 140, *q.v.*

The corresponding Rules are 79 and 113. Imperfections of diction are indicated under the former.

Rule 91.

An offer to buy or sell an amount of Shares or Stock at a price named, is binding as to any part thereof that may be a marketable quantity; and an offer to buy or sell Shares or Stock, when no amount is named, is binding to the amount of £1,000 Stock, or to the amount of Fifty Shares. If, however, the market value of the Shares is above £15 each, then an offer is binding only to the extent of Ten Shares, and if the market value is not over £1 each, an offer is binding to the extent of One hundred Shares.

This Rule, although rather laboured, would be sufficiently precise but for the word "marketable." What is a "marketable quantity"? Would not any quantity that can be dealt in—that is to say, any *transferable* quantity—be a marketable quantity? The expression perhaps is not so understood in the House—or is it instinctive delicacy that prevents a man from saddling a dealer with 93 shares who is bidding for a hundred? In the case of shares the multiples of ten shares would all be considered marketable quantities—some of the multiples of five, too, and possibly all of them, and the same multiples (taking £1 as the unit) might with less certainty be assumed in the case of stock. But here market etiquette operates. If a dealer were bidding for Five hundred shares or Five thousand pounds stock it would be thought questionable "form" to sell him a trifling amount of either, such as, say, Twenty shares or a hundred and ten pounds stock, and the probabilities are

that, availing himself of market sentiment, he would refuse to purchase. The objection to dealing in small amounts finds practical support in the fact that the *ad valorem* stamp may by such dealing be considerably increased and that the registration fee will inevitably be multiplied (*v.* Rule 100).

The corresponding Rules are 80 and 114.

Rule 92 (corresponds to 128).

> The seller of shares or stock is responsible for the genuineness and regularity of all documents delivered, and for such dividends as may be received, until reasonable time has been allowed to the transferee to execute and duly lodge such documents for verification and registration. When an official certificate of registration of such shares or stock has been issued, the Committee will not (unless bad faith is alleged against the seller) take cognizance of any subsequent dispute as to title, until the legal issue has been decided, the reasonable expenses of which legal proceedings shall be borne by the seller.

It must not be understood from the somewhat ambiguous wording of this Rule that the seller's responsibility for the "genuineness and regularity" of documents ceases after "reasonable time has been allowed to the transferee to execute and duly lodge such documents for verification and registration." On the contrary, his responsibility in that respect continues even after registration has taken place; it is only in respect of dividends that he is released.

The seller is, of course, only responsible for such dividends *included in the purchase price* as may be subsequently received. "Seller," here, would include every Member on the "trace" except the issuer of the Ticket.

Reasonable time in relation to dividends on American railway shares and on certain South African shares is defined in Rules 74 and 75 respectively.

Rules 146 and 147 appoint the periods at which the different classes of securities are to be quoted ex-dividend or ex-interest.

Rule 93.

The Committee will not (except under special circumstances) interfere in any question arising from the delivery of shares, stock, bonds or debentures by transfer in blank.

Because alteration in a transfer after delivery thereof is held in law to "avoid the deed," unless there be proof of re-delivery after the alteration—such proof, e.g., as the autograph initials of the seller would constitute.

Delivery by transfer in blank was, of course, a great convenience to the middleman who had not "closed his book," as it enabled him to avoid (or, should we say, evade) the stamp and fee, but it was not a healthy custom, as it opened the door to fraud, and perhaps prohibition would be even better than non-interference.

Rule 94 (corresponds to Rule 117, and in some respects to Rules 81 and 82).

(a) The buyer who takes up securities deliverable by deed of transfer shall, before Twelve o'clock on the Ticket-day, or in the case of securities dealt in in the Mining Markets, before Two o'clock on the preceding day, issue a Ticket, with his own name as payer of the purchase-money, which Ticket shall contain the amount and denomination of the stock or security to be transferred; the name, address and description of the transferee in full; the price, the date, and the name of the Member to whom the Ticket is issued. Each intermediate seller, in succession, to whom such Ticket shall be passed, shall endorse thereon the name of his seller.

(b) All Tickets representing stock or shares which, at the time, are subject to arrangement by the Settlement Department, shall be passed through the accounts at the Making-up price of the first Making-up day, and the stock or shares paid for at that price; but the consideration money in the deed must be at the price on the Ticket.

(c) A Member receiving a Ticket from the issuer after Twelve o'clock on the Ticket-day, or for securities dealt in in the Mining Markets after Two o'clock on

the preceding day, shall note the fact on the back of the Ticket; it is also required that the Member who receives a Ticket on the Ticket-day

After - - - One o'clock,
After Half-past One o'clock,
After - - - Two o'clock,
After Half-past Two o'clock,

shall draw a line noting such times; for securities dealt in in the Mining Markets a line must also be drawn at Six o'clock on the day before the Ticket-day. Members receiving Tickets after Three o'clock on the Ticket-day, or at any time on any subsequent day, shall mark the exact time at which they are received.*

(d) Members omitting to note the times thus fixed may become liable for losses occasioned by selling-out in case undue delay is proved under the provisions of Rules 103 and 104.

(e) A Member splitting a Ticket shall pay any increased expenses incurred by such splitting, and shall retain the Original Ticket. Split Tickets must bear the name of the issuer of the Original Ticket.

(f) No claim for loss on a Split Ticket shall be valid unless made by the Original Claimant within Three Months after the date of the Ticket, but the Member splitting the Ticket shall be liable to intermediate claimants for a period of Four Months.

(g) The liability of Members to the Settlement Department for Splits collected by the Department shall extend for a period of Six Months from the date of the Ticket.

(h) A Member failing to keep the Original Ticket will be required to trace it in case of selling-out.

(i) The passing of Tickets shall commence at Ten o'clock.

(j) Tickets may be left at the office of the seller up to Twelve o'clock on Ticket-days, and for securities dealt in in the Mining Markets up to Two o'clock on the preceding day. After these hours all tickets must be passed in the Settlement Rooms.

(k) Tickets may be issued and passed on the day before the Ticket-day, but the buying-in upon Tickets so issued shall not be allowed until the Eleventh day after the Ticket-day.

* It is proposed to modify the details of this clause. (See Addendum.)

Paragraph (a).—Besides the particulars which the Rule orders to be noted on Tickets, it is usual to put a Ticket number, such number being useful as a simple means of identification.

The Ticket is to contain "the price, the date, and the name of the Member to whom" it is issued. "The price" is at best but a vague term—perhaps usefully vague in view of the latitude that is assumed under Rule 98—but it is certainly intended to mean the price at which the security described on the Ticket is taken up. This is proved by the closing words of the second paragraph of the Rule, which identifies the price on the Ticket as a factor of the consideration money in the deed.

Paragraph (b).—The adoption of a fixed making-up price greatly facilitates the adjustment of accounts; but it might, under certain conceivable circumstances, involve a dealer in unexpected loss in the event of his seller failing:—B buys of C—*a deliverer*—100 shares at $11\frac{1}{2}$, which he sells to A at $11\frac{9}{16}$. The shares in question (which we assume to be "subject to arrangement by the Settlement Department") are made up at 12, at which price A's Ticket goes through B's and C's accounts and the shares are paid for (vide the text). A collects from B the difference between $11\frac{9}{16}$ and 12 (the making-up price), but C defaults, and B is unable to collect the corresponding difference between his purchase price, $11\frac{1}{2}$, and the making-up price, 12. For this difference he merely ranks as a creditor, on equal terms with other creditors (Rule 155), upon C's estate. He is in fact very nearly in the same position as if he had presented C's estate with £50 to swell the dividend. The example is suggested as a possible, rather than a usual one, but, of course, the usage of claiming differences early in the day and paying for registered securities late is no protection to the intermediary, since, not to mention the effect of Rule 155, payment of differences can only be claimed in cheques, and the payment for securities is effected long before it is known whether such cheques have been met or not.

Again, supposing B were to do what is quite usual with men of capital—supposing he bought of C *(a deliverer)* at 11½ for cash, and sold to A at 11⅝ for the new Account, thus securing what would appear to be a reasonably good profit even after charging the contango; B must then issue his own name as the Member paying for the shares, and if it were competent for him to pass the Ticket through his accounts at the price at which he takes up and to pay for the shares at that price, his risk if C defaulted after delivery of the securities would be *nil*. But the security in question happens to be one that is "subject to arrangement by the Settlement Department," and B must debit C at the making-up price (12) and *pay for the shares at that price*. If C defaults, all B can do is to prove against his estate for the difference between the contract price (the actual price of the bargain) and the making-up price (purely artificial), at which he was obliged to pay for the shares. Even if B's purchase from C were effected late on the Ticket-day—i.e., too late for the Clearing—the same procedure would be enforceable on a strict application of this Rule.

Paragraph (b) would be more complete if it included a statement that Tickets for stock or shares, the settlement of which is not in the hands of the Department, are to be passed through the accounts at the prices marked upon them, and that the securities are to be paid for at such prices.

Some exception must be taken to the ambiguous use of the expression "first Making-up Day." The first Making-up Day of a Settlement is, strictly, the first day of that Settlement and no other. But the present Rule (like Rule 89) intends to designate by this expression, not merely the first day of the Settlement (viz., that upon which mining securities are first carried over), but also any subsequent day (probably that next succeeding) upon which other securities are first carried over.

The provisions of *paragraph* (c) are of importance in

helping to fix the liability for selling out (*vide* Rules 71, 103, and 104).

Paragraph (h) relates to cases where the original Ticket is split. The words "when he splits the same," if inserted after "Original Ticket," would make the meaning of this paragraph clear. It would still, however, be in oblique opposition to paragraph (e). The latter orders the Member who makes the split to "retain the Original Ticket," while the former countenances disobedience by inflicting in the special (and *relatively* rare) cases where the stock is sold out a penalty too light to serve as an effective deterrent. As a matter of fact it is not at all unusual when a Ticket has to be split close upon liability time (e.g., in the case of mines, 6 p.m. on the day before the Ticket-day) to make one copy less than should strictly have been made and to alter and pass on the Original Ticket itself for the *balance* of the stock or shares. This is a time-saving device, but it might appear open to question whether an intermediary would not be justified under paragraph (e) in refusing such a Ticket in order to escape a time liability (see Rules 103 and 104 par. c); on the other hand it is more than questionable whether, in view of paragraph (h), he would be justified in refusing it. No doubt the main object of ordering Members to retain any Tickets which they split is to lighten as far as possible the labour of tracing which follows upon securities being sold out, and to expedite the fixing of responsibility; and in that case, it must be admitted, the penalty imposed by paragraph (h) upon Members frustrating this object is humanly perfect. The official disapprobation of the practice of altering Tickets is further emphasised in Rule 97, *post*.

If A issues a Ticket for a hundred shares, such Ticket being split by K into 75 and 25, and O sells out the 75, the official will trace back to K. If K holds the Original Ticket issued by A, the official is at once in possession of all the endorsements attributing responsibility under Rules 103 and 104. But if K has parted with the Original

Ticket, the same must be traced out, perhaps to the end of the alphabet; this little task is very properly left to K. (For particulars of the process of selling-out, see the observations upon Rule 71.)

Paragraph (i) only means that Tickets cannot be refused at or after 10 o'clock, and need not be accepted before 10. It does not mean what it appears to mean, viz., that one *must* commence to pass one's Tickets at 10 o'clock, for Rules 103 and 104 enable Tickets to be issued at any time before 12 o'clock on the Ticket-day for non-mining securities, and before 2 o'clock on the day before the Ticket-day for mining securities.

For an indication of the responsibilities attaching to the intermediary who passes a Ticket and of the conditions upon which he is discharged, see *post* Rule 103 paragraph (d), and remarks upon the same.

Rule 95 (could very well stand as a clause of Rule 94).

> When shares have been converted into consolidated stock and are so quoted in the Official List, buyers are required to pass Tickets for stock, and not for shares.

Everyone would be interested to know what is the ruling, in the circumstances described, for securities which are *not* quoted in the Official List—a not inconsiderable category. The Rule was possibly necessitated by the fact that sometimes the market will by force of habit continue to deal in shares after such shares have ceased to exist by having been transformed into equivalent stock.

Rule 96.

> A Member not refusing an ante-dated Ticket when tendered as such, takes it with all its liabilities; but if it be passed as an ordinary Ticket, the liabilities remain with the Member putting such Ticket again into circulation; and any Member holding an undated Ticket shall not be liable for any loss arising from the shares or stock having been bought in, unless such Ticket has been Seven days in his possession.

The main liability contemplated in this Rule is the loss and the charges on stock being bought-in; Rule 106 gives the deliverer Eleven days from "the *date* of the Ticket" to deliver his stock, after which it may be officially bought in. The risk, therefore, of taking an ante-dated Ticket is obvious. Paragraph (a) of Rule 94 expressly stipulates that Tickets should contain, amongst other particulars, the date—meaning the date on which they are issued—and if the date be omitted the holder (who would probably have accepted it in the belief that it had been issued during the current Account) is very properly exempted from liability —unless he has acquiesced in the omission—for a period of Seven days. On the mere verbal evidence of the Rules it is difficult to see where any liability whatever would arise in accepting undated Tickets, for Rule 106, literally read, only enables the issuer to buy-in stock on the Eleventh, or (in some cases) on the Twelfth, day "after the date of the Ticket." But there is *no* date on an undated Ticket. We may assume, however, that Rule 106 also confers the right to buy-in on the Eleventh (or Twelfth) day after the day upon which the Ticket *should* have been dated.

The expression, "but if it be passed as an ordinary Ticket" is obscure. "It" refers to "ante-dated Ticket," and if by "ordinary Ticket" is meant dated but not ante-dated Ticket, then one naturally asks, "How *can* an ante-dated Ticket be passed as a Ticket not ante-dated?" Probably what is meant is that if an ante-dated Ticket be passed without comment at a time when only currently dated Tickets are assumed to be in circulation, then the liabilities are not transferred to the Member accepting the Ticket.

Rule 97.

A Member who makes an alteration in, or improperly detains a Ticket, shall make good any loss that may occur thereby.

See also, *post*, Rule 165, dealing with the liability of a *defaulter* who detains a Ticket.

Rule 98.

The deliverer shall cause the shares or stock to be transferred at the price marked upon the Ticket; but no Member shall be compelled to take a Ticket at a price not quoted in the Official List during the Account, unless the bargain represented by such Ticket shall have been made within the two preceding Accounts.

In considering Rule 94 we ascertained that the price (paragraph a) to be stated on the Ticket must be one factor of the consideration money declared in the deed of transfer (paragraph b), the other factor being the amount of stock or the number of shares. The consideration money determines the amount of the *ad valorem* stamp, and the Stamp Act provides that the consideration money stated in the deed must be that paid by the ultimate buyer (the issuer of the Ticket)—not necessarily that received by the ultimate seller (the deliverer of the stock). [*Vide* the note printed at the foot of common transfer forms.]

This Rule presupposes that Tickets shall only be issued by a purchaser of stock at the price of his bargain, but it enables the seller to refuse a Ticket bearing a price that has not been recorded, at longest, within two Accounts preceding the existing Account.

In the terms "during the Account" and "within the two preceding Accounts" there is a clear reference to Rules 89 and 90, the former of which considers bargains (in registered securities) done up to One o'clock on the first Making-up Day as for the existing Account, and the latter of which postpones claims on a defaulter's estate in respect of bargains done for a period beyond the ensuing two Accounts.

It may be pointed out that the seller can also appeal for protection to Rule 69, which enables him to exact at the time the Ticket is tendered, payment of the difference

between the price marked thereon and the making-up price (or the actual price of sale if that be below the making-up price).

Perhaps it is by an oversight that the Rule under discussion is addressed only to securities quoted in the Official List, for such securities form but a minor part of the great mass which are settled by the circulation of Tickets. In practice the Rule is held to apply to all securities so settled, and is *not* interpreted as enabling sellers to refuse all Tickets tendered for "non-quoted" securities. (For official quotation of the shares or securities of a new company, see Rule 137; see also Rule 142.)

Rule 99.

The deliverer may, previous to delivery, pay any call made on registered shares, although not due, and claim the amount of the issuer of the Ticket.

Because certain Companies have power to refuse registration while a call is pending on the shares. The purchasing Broker's claim against his principal for refunding to the deliverer calls paid under this Rule has been several times vindicated in a Court of Law.

In the case of bearer scrip only partly paid, a different procedure is appointed by Rule 141, which directs that if payment of an instalment falls on a Settling-day the settlement shall take place the day previous to the date of payment of the instalment. Such payment is thus made to devolve on the buyer. The *necessity* of prepaying calls on bearer scrip does not arise, as there is no question of registration.

Rule 100.

The buyer of shares or stock shall pay the *ad valorem* duty and registration fee, and shall state on the Ticket the amounts in which he may desire to have the shares or stock transferred (provided no such amounts require a higher stamp than £50).

In cases of loans the borrower shall pay the nominal consideration stamps of Ten shillings, the registration fees, and the mortgage stamp.

In the case of very small sales (and more particularly sales of *stock*) it is customary for the *seller*, if he be a Broker dealing with a Jobber, to pay the *ad valorem* duty and the registration fee. Such sales are said to be "free" (that is, free of transfer expenses to the buyer). Sales realising more than £100 would usually be governed by the Rule.

Rule 101.

Provides another instance of verbal ambiguity, and leaves a certain amount of choice to the interpreter:—

The buyer shall, in the event of his Ticket being split, pay for any portion of shares or stock which may be presented, provided the number be not less than Ten shares, or the value less than £200.

Is the buyer obliged, under this Rule, to pay in the following cases? (1) When Ten shares of a lower aggregate value than £200 are presented. (2) When less than Ten shares of an aggregate value of £200 or more are presented. "The value" evidently means the amount payable on delivery, but if so, why does the principle regulating the payment for split *share* Tickets differ from that regulating the payment for split *stock* Tickets? In other words, why should the number of shares import if the nominal amount of stock is not considered? The fact that stock can often be conveyed in fractional amounts is hardly an explanation in the circumstances contemplated by the Rule. Fortunately the above queries do not raise very important points, and they could usually be resolved by either party making an insignificant concession.

The remedy of a Member delivering irregular fragments on a split Ticket is to present his stock or shares to the Member who split the Ticket or to the Member from whom he received the split Ticket (*i.e.*, his immediate buyer).

Rule 102.

The buyer of shares or stock may refuse to pay for a transfer deed unaccompanied by coupons or certificates, unless it be officially certified thereon that the coupons or certificates are at the office of the company. But if the transfer deed be perfect in all other respects, the shares or stock must not be bought in until reasonable time has been allowed to the seller to obtain the verification required. If the seller have a larger coupon than the amount of stock conveyed, or only one coupon representing stock conveyed by two or more transfer deeds, the coupon may be deposited with the Secretary of the Share and Loan Department of The Stock Exchange, who shall forward it to the office of the company, and certify to that effect on the transfer deeds, which shall then be a valid delivery. No person is to look to the Managers or Committee of The Stock Exchange as being liable for the due or accurate performance of those duties, the Managers and Committee holding themselves, and being held, entirely irresponsible in respect of the execution, or of any mis-execution, or non-execution, of the duties in question.

This Rule is a confirmation of Rule 72 in so far as the disability to buy-in is concerned.

As regards the opening clause, not only has the buyer a right to refuse payment for a transfer deed unaccompanied by "coupons" or certificates or unprovided with official certificates, but he would be ill-advised to make payment. For such a deed would only confer an equitable title, whilst the legal title might have been acquired by a prior transferee. It might even be acquired by a subsequent transferee.

The term "coupon" is here employed in its less usual signification of title-deed.

Rule 103 (corresponds to Rules 81, 82, 104 and 116).

(a) The deliverer of shares or stock who shall not receive a Ticket by Half-past Two o'clock on the Ticket-day, may sell out such securities up to Three o'clock; but

if the security be one of those undertaken by the Settlement Department, written notice stating from whom a Ticket is required must be given to the Department at least one hour before such selling-out.

(b) This notice must be given by all Members wishing to sell out securities undertaken by the Department, and in no case shall such securities be sold out before Twelve o'clock.

(c) If a Ticket, except for securities dealt in in the Mining Market, shall not have been regularly issued before Twelve o'clock, the issuer thereof shall be responsible for any loss occasioned by such selling-out. Should, however, a Ticket have been regularly put into circulation, the holder thereof at Two o'clock shall be responsible for any selling-out on the Ticket-day. If the selling-out take place on the pay day, the holder of the Ticket at Three o'clock on the Ticket-day shall be liable; unless such Ticket was in the Settlement Department at Three o'clock, in which case the holder of such Ticket at Five o'clock shall be liable. In case of selling-out on any subsequent day, the holder of the Ticket at Three o'clock on the previous day, or at One o'clock on Saturdays, shall be liable, unless he can prove undue delay in passing the Ticket.

(d) Should the deliverer allow Two clear days from Three o'clock on the Ticket-day to elapse without availing himself of his right to sell out, his buyer shall be released from all loss in cases where the Ticket has not been passed in consequence of the public declaration of any Member as a defaulter. If a seller does not deliver shares or stock within Thirteen clear days from the date of the Ticket, the intermediate buyer from whom he received the Ticket shall be released, and the issuer thereof shall alone remain responsible for the payment of the purchase money.

"Up to Three o'clock" (paragraph a), because at Three o'clock official business ceases (Rule 77). To read this paragraph alone, one might suppose that the remedy of selling-out is confined to a single half-hour, and that on the Ticket-day; whereas it is precisely during that half-hour that selling-out is but sparingly resorted to. Para-

graph (c), however, states indirectly that the remedy is available on other days, too, and by reference to Rule 77 it may be inferred that selling-out may take place at any time between 11 and 3, except on Saturdays, when the limits are 11 and 1.

Comparison with Rules 81, 82, and 116 will show that securities deliverable by deed of transfer (briefly, registered securities) are the object of special treatment in the matter of selling-out. English, India, and Corporation stocks, Colonial Government inscribed stocks and securities to bearer can none of them be sold out before the Settling-day or the day for which delivery is contracted. The explanation is no doubt that the method of transferring registered securities is more cumbrous and requires more time than that employed in the transfer of the other categories mentioned. The transfer deed cannot be prepared until the seller (or his agent) is in receipt of the Ticket containing the particulars stipulated by Rule 94, and as the said deed has frequently to be posted to a client for signature, Half-past Two or Three o'clock on the Ticket-day is quite late enough for such Ticket to reach the transferor's Broker. This is the more manifest when we consider the case of a client who has bought and sold securities for the same date, leaving the proceeds of the sale to pay for his purchase. His account on paper may stand actually balanced, but if the bought stock comes in on Settling-day and the stock sold is not ready for delivery, his Broker will have to find the money. Moreover, the earlier the name of the proposed transferee reaches the transferor, the more time will the latter have to satisfy himself of the former's competency and responsibility (see below).

If a Ticket does not reach the deliverer in time, there is presumptive evidence that the delay may arise from fear on the part of some Member of infringing Rule 165 *(q.v.)*, referred to again below. Default is in fact *suggested* by undue delay; and, as a matter of fact, an abnormal amount

of selling-out in normal times inevitably arouses suspicion of embarrassment somewhere in the House. For all this, selling-out, as intimated above, does not so frequently take place on the Ticket-day as on the Settling-day.

It is *only* in the case of "clearing" securities that notice of selling-out need be given; non-clearing securities may be, and are, sold out without notice given. Paragraph (b) means, amongst other things, that even Members who do not subscribe to the Clearing must give notice to the Settlement Department when they intend to sell out "clearing" securities. This law is aptly described as the law of self preservation. Be it noted, too, that "other securities" may be sold-out as early as 11 a.m.

Note.—"Securities undertaken by the Department" (paragraph (b)—paragraph (a) "those undertaken," etc.)—is a curious solecism for "securities of which the Department undertakes the settlement." There is no such hing as an undertaker of securities.

The provisions of paragraph (c) (and, indeed, of the first three paragraphs of the Rule) suggest departmental inspiration. The shifting of responsibility from Three o'clock to Five o'clock makes it impossible to "catch" the Department in respect of selling-out on the Settling-day, just as the hour's notice virtually protects it from loss by selling-out on all occasions. This is, of course, a proper arrangement, as the Settlement Department is organised simply to facilitate the adjustment of accounts and the fulfilment of contracts between Members of the House.

The wording of paragraph (c) requires careful scrutiny. *Vide* remarks on the corresponding paragraph of Rule 104.

Paragraph (d). The deliverer sells out against his immediate buyer (not necessarily the Member taking-up), whom in the ordinary course he holds responsible for any loss on such proceeding. (See remarks on Rule 71 *ante*.) The expression "buyer" in the text refers obviously to intermediaries only. If an intermediary (who is of necessity a seller no less than a buyer) does not receive a Ticket from his own buyer, he cannot sell out—that is a privilege

reserved for the ultimate seller (the deliverer). Accordingly, in terms of the Rule, "should the deliverer allow "Two clear days from Three o'clock on the Ticket-day "to elapse without availing himself of his right to sell out, "his buyer [that is the intermediary] shall be released from "all loss in cases where the Ticket has not been passed in "consequence of the public declaration of any Member as "a defaulter."

"All loss" is so wide an expression as to be somewhat indefinite, and it would be difficult to enumerate and describe every conceivable form of loss that might be argued to come within its limits. There is one case, however, that would seem to be more particularly in contemplation:— Let B buy of C at 100 and sell to A at 101. Then if the Ticket which should have been passed has been delayed in consequence of A's declaration as a defaulter, and C sells out in due and proper time (*i.e.*, within two days of the Ticket-day), B's ledger will show the following accounts:—

ACCOUNT WITH A.

Dr.		Cr.	
Stock sold at 101 . . .	£101	Stock made up at hammer price	£80
		Balance due by A's estate .	21
			£101

ACCOUNT WITH C.

Made-up Selling-out Dept. for .	£75	Stock bought at 100 . .	£100
Balance due to C	25		
	£100		

The "hammer-price" has been assumed as 80, the selling-out price, less charges, as 75. By Rule 177 B is obliged to re-purchase of A's estate at 80, and by the procedure involved when stock is sold out (see Rule 71 and remarks), he is obliged to resell to (colloquially "make up with") C at 75. Now, if A should pay up in full, B will receive in dividend £21, but he will have paid to C £25, so

that, on balance, instead of making a profit of £1 (viz., the jobbing profit between his purchase of C and his sale to A) he will have made a loss of £4—in other words, he will be £5 worse off than if C had not sold out. The release from "all loss" granted by the Rule in the event of the deliverer delaying more than two days after the Ticket-day before selling-out would cover the whole of the above disparity (viz., £5), and has been argued to cover even a great deal more than this. Some official definition of the term "all loss" is desirable.

The intermediate buyer is relieved of responsibility for the purchase money if delivery is not effected within Thirteen days from the date of the Ticket. During those Thirteen days, however, he is specifically liable under Rule 68, even though, as a matter of book-keeping, his account would have been "closed" by the passing of a Ticket. Relief in respect of the belated delivery of securities is provided for the intermediate seller by Rule 107 *post.*

The machinery employed in selling-out is indicated in Rule 71 *ante.*

Stock cannot be purchased of the Official Broker by the Member for whom it is sold out.

This is the first Rule that mentions in positive terms the release of intermediaries. Under clearly specified circumstances the intermediate buyer is hereby discharged (1) from responsibility for loss on selling-out, (2) from responsibility for the payment of the purchase-money itself. There are, however, other responsibilities which an intermediary incurs by his operations, but from which, under certain conditions, he is discharged—in some cases by usage, in others by rule. Such, for instance, is the liability of a buyer to indemnify his seller against calls falling due on partly paid stock after the date of the bargain (unless such calls be included in the price). If the intermediary has made no special contract to procure the registration of his nominee, then his discharge from this liability will ensue when the following conditions have been fulfilled:—When (1) he has

passed to his seller a Ticket strictly complying with the directions formulated in Rule 94 and bearing the name, as transferee, not merely of a person contracting and capable of contracting to purchase, but of one as to whose responsibility no valid objection can be or (within the limit of time allowed by Rule 106 for delivery before stock can be bought in) is raised by the seller; and when (2) following upon the foregoing the transfer having been duly executed to the jobber's nominee is delivered and paid for. If after these conditions are fulfilled the Company in whose shares the bargain was made should refuse to register the transfer and, being subsequently wound up, should make calls upon the transferor as a contributory (his name being still upon the register), then the said transferor would have no recourse against the intermediate Jobber, whose discharge is complete. There is no individual Rule recording this particular case of release of the intermediary.

Rules 107 and 120 deal specifically with the release of intermediaries.

Rule 104 (is only a special application of Rule 103, and is open to the same observations).

(a) The deliverer of shares or stock dealt in in the Mining Markets, who shall not receive a Ticket by Half-past Two o'clock on the Ticket-day, may sell out such securities up to Three o'clock; but if the security be one of those undertaken by the Settlement Department, written notice stating from whom a Ticket is required must be given to the Department at least one hour before such selling-out.

(b) This notice must be given by all Members wishing to sell out securities undertaken by the Department, and in no case shall such securities be sold out before Twelve o'clock.

(c) If a Ticket for such* securities shall not have been regularly issued before Two o'clock on the day before the Ticket-day, the issuer thereof shall be responsible for any loss occasioned by such selling-out. Should, however, a Ticket have been regularly put into

* The Regulation applies to *all* registered securities dealt in in the Mining Markets.

circulation, the holder thereof at Two o'clock on the Ticket-day shall be responsible for any selling-out on that day; and the holder of the Ticket at Six o'clock on the day before the Ticket-day shall be responsible for any selling-out on the pay-day, unless the Ticket was in the Settlement Department at Six o'clock on the day before the Ticket-day, in which case the holder of the Ticket at One o'clock on the Ticket-day shall be liable.

(d) In the case of selling-out on any day after the pay-day, the holder of the Ticket at Three o'clock on the previous day, or One o'clock on Saturdays, shall be liable, unless he can prove undue delay in passing the Ticket.

(e) Should the deliverer allow Two clear days from Three o'clock on the Ticket-day to elapse without availing himself of his right to sell out, his buyer shall be released from all loss in cases where the Ticket has not been passed in consequence of the public declaration of any Member as a defaulter. If a seller does not deliver shares or stock within Fourteen clear days from the date of the Ticket, the intermediate buyer from whom he received the Ticket shall be released, and the issuer thereof shall alone remain responsible for the payment of the purchase money.

The wording of the third paragraph requires the closest attention. (1) A belated *issuer* of a Ticket is held responsible for *any* loss occasioned by selling-out; (2) the issue having been punctually made, it is the holder of the Ticket at *Two o'clock on the Ticket-day* (the day before the pay-day) that is held responsible for selling-out on *that* day (the Ticket-day), whilst (3) responsibility for selling-out on the *pay-day* itself devolves on the holder at *Six o'clock* on *the day before the Ticket-day*, unless the Settlement Department was the holder at such time, in which case it devolves on whosoever held the Ticket at *One o'clock on the Ticket-day*, and (4) in respect of selling-out on any day *after the pay-day*, responsibility attaches to the holder of the Ticket at *Three o'clock on the day previous* (or, if such day be a Saturday, to the holder at

One o'clock), unless *undue delay* in passing the Ticket can be proved.

The expression "Ticket-day" in the second line of the final paragraph is somewhat ambiguous. It should be understood to mean, not the day upon which tickets for mining securities are issued, but the day upon which tickets for other registered securities are issued, viz., the old Ticket-day. This is evident from the opening of Rule 106.

Rule 105 (might be appropriately embodied in Rules 103 and 104 between paragraphs (b) and (c) of these Rules):—

> When shares or stock are sold out, if a Ticket be not given within Half-an-hour after the time of sale, the transfer may be made into the name of the buyer.

Rule 106 (corresponds to Rules 83 and 119).

> If shares or stock are not delivered within Ten days, the issuer of the Ticket may buy in the same against the seller at or after Half-past One o'clock on the Eleventh or any subsequent day after the date of the Ticket, or, in the case of mining securities, for which Tickets have been issued on the day before the Ticket-day on the Twelfth or any subsequent day after the date of the Ticket.
>
> In the case of Companies which prepare their own transfers, shares or stock may be bought in on the Eleventh, or any subsequent day after the earliest date on which a transfer can be procured.
>
> One hour's public notice of such buying-in must be posted in The Stock Exchange; the notices to be posted not later than Half-past Twelve o'clock. On Saturdays notices shall be posted by Half-past Eleven o'clock, and no buying-in shall take place before a Quarter-past Twelve o'clock. The name into which the shares or stock are to be transferred must be stated in the order to buy-in, if required by the Manager of the Buying-in and Selling-out Department. The loss occasioned by such buying-in shall be borne by the ultimate seller, unless he can prove that there has been undue delay in the passing of the Ticket on the part of any Member, who shall in that

case be liable. Shares or stock thus bought-in and not delivered by One o'clock on the following day, or by Twelve o'clock on Saturdays, may be re-purchased for immediate delivery without further notice, and any loss shall be paid by the Member causing such re-purchase.

In case the Official shall not succeed in executing an order to buy-in, the notice of such buying-in shall remain on the General Notice Board, and the Official may buy-in Shares or Stock, if not delivered, on any subsequent day without further notice, but not before Two o'clock, or on Saturdays before a Quarter past Twelve o'clock.

The remedy of buying-in is disallowed by Rules 72 and 102 where, in certain circumstances, the stock is out of the control of the seller. It will be observed that whereas the faculty to sell out may be exercised at once (Rules 103 and 104), a "moratorium" of Ten days is granted to the deliverer of registered securities before such securities may be bought in. The remedy of selling-out is designed to enforce payment, default in which might be embarrassing for the deliverer, whilst buying-in only compels delivery of securities. For default of payment there is no acknowledged excuse, as purchase money, it is assumed, should always be forthcoming when due; but there are many unavoidable circumstances which may delay delivery of deeds or titles, and, moreover, such delay cannot affect the ultimate buyer to the same degree that delay in payment might affect the deliverer. It is apparent, too, that the delay of Ten days may be useful in enabling the seller to inquire into the solvency, responsibility, and *bona fides* of the proposed transferee, for in case of the latter repudiating calls within a certain time of the date of transfer, or in case of the Company refusing to register the transfer, liability would devolve upon the transferor.

Another distinction between the exercise of the two faculties is that the selling-out of registered securities is (after the Ticket-day) permitted at any time between 11 and 3 (except in the case of securities "undertaken" by

the Settlement Department, for which securities the earliest hour is Twelve o'clock), but that the buying-in of registered securities can only take place between 1.30 and 3. The language of the first paragraph of the Rule is not unmistakably clear, but it is understood to mean that on no day, either the Eleventh or any subsequent day, can registered securities be bought-in before Half-past One. No mention is made in the paragraph of Saturdays, and an uninitiated reader would necessarily understand that Half-past One held good as on other days. But official business is over at One o'clock on Saturdays, and on searching the third paragraph of the Rule one gathers that buying-in on Saturdays is allowed only between 12.15 and One.

We may infer from Rule 96 that notwithstanding the wording of the present Rule, the remedy of buying-in does not depend literally on the date of the Ticket, as the former indirectly imposes a conditional liability on the holder of an *undated* Ticket.

A third distinction between the procedure in buying-in and in selling-out as applied to registered securities is that selling-out may be effected without notice given, but that notice of an intention to buy-in must be posted for one hour in The Stock Exchange.

It should be remarked that although securities may be bought in up till 3 on ordinary days and up till 1 on Saturdays, the notice required cannot be posted later than 12.30 and 11.30 respectively.

Rule 71 indicates the means by which buying-in is effected.

Agreeably to the terms of Rule 106, a good deal of buying-in is effected or attempted between 1.30 and 2 o'clock—a time of day to which reasonable exception may be taken on the grounds that the "House" is just then very poorly attended—Members and their Clerks being still preoccupied with lunch. The inconvenience arising from a scarcity of stockholders being combined with a possible dearth of available stock is frequently illustrated by the non-success of the endeavour to buy-in.

N.B.—As remarked under Rules 71 and 83, it is not competent for a Member who has directed stock to be bought in to supply such stock himself to the Official Broker. If he chance to be a seller of stock which he had previously bought, but of which delivery has been delayed, he must nevertheless deal in the market in the usual way; his best market in such a case would be the Member who had his name over (that is, the Member who was unable to deliver, and against whom the loss on buying-in would fall).

Rule 107.

> The issuer of a Ticket who shall allow Thirteen, or, in the case of mining securities for which Tickets have been issued on the day before the Ticket-day, Fourteen clear days from the date of his Ticket, or, in the case of Companies which prepare their own transfers, Thirteen clear days after the earliest day a transfer can be procured, to elapse without buying-in or attempting to buy-in shares or stock, shall release his seller from all liability in respect of the non-delivery of the securities, unless he shall have waived his right to buy-in at the request, or with the consent of his seller; and the holder of the Ticket shall alone remain responsible to such issuer for the delivery of the securities.

This Rule, releasing the intermediary from responsibility to his buyer, corresponds to the last clause of Rules 103 and 104, releasing the intermediary from responsibility to his seller, though in the latter case the release is in respect of the "payment of the purchase money," and in the present case it is in respect of the "non-delivery of the securities," which, in practice, would mean release from contingent loss on the securities being bought-in; such loss would, under the conditions stated in the Rule, be provable only against the holder of the Ticket, whose liability runs on without limitation. The importance of this regulation will be fully appreciated if the contingency of the default of the holder of the Ticket is considered. The situation thus created may be illustrated, *mutatis*

mutandis, by reference to the remarks *ante* on paragraph (d) of Rule 103.

The language of the Rule, though clear, is not quite accurate, for the final sentence shows that "the seller" is not released if he happen to be the holder of the Ticket—that in fact he is only released if he be an intermediate seller.

In respect of the genuineness and regularity of the documents (Rule 92), or in respect of dividends received by the transferor, there is no release until reasonable time *after* delivery. (Rules 92, 74 and 75.)

Rule 108 (corresponds to Rule 127).

(a) The buyer is entitled to new shares or stock issued in right of old, provided that, within reasonable time, he specially claim the same, in writing, from the seller. Claims should be entered as bargains, and as such be checked in the usual manner.

(b) When practicable, claims are required to be settled by Letters of Renunciation, but if not practicable, and there be sufficient time for registration, the seller may, after due notice, require the buyer to complete the bargain in old shares or stock.

(c) Where no Renunciation Letters are issued, all payments as and when required by the Company are to be advanced to the seller by the buyer, who may demand a receipt for the same, such payments being considered as for delivery of stock open for the Special Settlement.

(d) If the new shares or stock cannot be obtained by Letters of Renunciation or by the transfer of the old, the Secretary of the Share and Loan Department, subject to the approval of the Chairman or Deputy Chairman of the Committee for General Purposes, shall fix a price at which the new securities may be temporarily settled and which may be deducted by the buyer from the purchase money of the old securities, until the Special Settlement.

(e) The Committee will not entertain any dispute relating to unchecked claims, unless brought before them within Ten days after the Special Settling-day.

Procedure in case of the conversion of shares into consolidated stock is regulated (at least when such stock is

officially quoted) by Rule 95. In that case it is presumably a term of the contract that the buyer shall receive *stock*. The expression "in right of old" in paragraph (a) of the present Rules does not mean merely in *lieu* of old, but rather in respect of old, *e.g.*, as a "bonus," or as an optional *pro rata* allotment of a new issue of stock. "Reasonable time" would mean time enough to admit of the seller's bespeaking the new stock. The buyer's title, of course, depends not only on his claiming the new stock in writing within reasonable time, but on his purchase being made before the old stock is quoted "ex rights." See also remarks on Rule 127.

Note.—The grammar of paragraph (d) is defective—literally, it sanctions the deduction of "a price" from "the purchase money." "And the value as thus ascertained" would be a more correct expression than "and which."

Rule 109.

On the day before the Ticket-day, and on the Ticket-day, the Clerk of the House shall, at Twelve o'clock, fix the Making-up prices by taking the then actual market prices, and no Making-up shall be binding, unless at such fixed prices. A Making-up price shall also be fixed for securities dealt in in the Mining Markets on the second day before the Ticket-day, and when the Ticket-day falls on a Tuesday, on the preceding Friday. In case of dispute as to the Making-up price, or of any omission in fixing the same, the Clerk of the House shall act upon the decision of Two Members of the Committee.

The Rule probably means that no Making-up *on any of the days on which Making-up prices are fixed* shall be binding "unless at such fixed prices" or unless some other price be mutually agreed upon; for Rule 70 recognises the regularity of continuations effected "at the then existing market price," and obviously a bargain done for delivery and subsequently made up between the Settlements would more properly and more naturally be made-up at the actual market price than at a price fixed, say, a week previously. It has been mentioned in the prefatory chapter on the

course of business that when much activity prevails and the Settlement Department is consequently subjected to great pressure, an extra Making-up Day is sometimes prefixed to the Fortnightly Account. Such, for example, was the case in February, 1902.

The business of making-up stock is now chiefly confined to the Settlement Department, and bargains that are "cleared" are accordingly adjusted by counter entries in account at the making-up price, just as if they had been personally made-up. The term "make-up" may be taken to cover the less usual expression "make-down"; the well-known distinction that a "make-up" closes the accounts of all the parties to it, whereas a "make-down" in closing one account opens another being popularly ignored.

A remarkable uniformity of procedure in settling bargains under various circumstances (viz., by use of a common making-up price upon which to establish differences) may here be noticed. Under Rule 70 continuations (contangoes) must be effected at the making-up price; under the present Rule makings-up are declared binding only at such price; under Rule 94 Tickets for registered securities subject to settlement by the "Department"; and under Rule 117 Tickets for bearer securities must go through the accounts at the making-up price of the day upon which the bulk of the contangoes are arranged; whilst, finally, under Rule 110, "unsettled" bargains are to be temporarily adjusted at the making-up price of the Ticket-day or of the day before the Ticket-day, according as they relate to securities whose settlement is independent of or subject to "the Department." So that, except in the case of registered securities that do not "clear" and of bargains in bearer securities that are not adjusted by Ticket, all transactions, whether made-up, completed by transfer (or delivery) against payment, or carried over on contango, are settled on a uniform principle, the differences established by the make-up, the contango, or the passing of the Ticket,

being (for exactly similar bargains in the same class of securities) identical, and varying only in the case of the temporary adjustment of mining securities that "clear" under Rule 110, which Rule orders that such adjustment shall be made at the making-up price of the day before the Ticket-day, whereas Rule 94 selects as the price at which Tickets for these securities shall be passed through the accounts the making-up price of the first making-up day. Even this discrepancy is removed if we choose to accept "Ticket-day" in Rule 110 as an ambiguous term defining indifferently the traditional Ticket-day (i.e., the last day but one of the Settlement), or what may be regarded as the Mining Ticket-day (i.e., the day following the first mining contango-day and preceding *the* Ticket-day). And, indeed, although such an acceptation of the term seriously modifies its established meaning, it is actually adopted in certain official publications. Rules 103, 104, 107 and 112 on the other hand clearly use the term in its older and more popular sense, that is, to designate the last day but one of the Settlement, and, on the whole, it is impossible to resist the conclusion that "day before the Ticket-day" in Rule 110 cannot reasonably be invested with the ambiguity which attaches to "first Making-up day" in Rule 94. The latter expression describes either of two days; the former, one only of those two. Rule 94, however, also had until recently "day before the Ticket-day" instead of "first Making-up day," and there is some presumptive evidence that when the wording of that Rule was altered the desirability of a corresponding alteration in Rule 110 was overlooked. As matters stand, Rule 94 regulates differences in clearing securities dealt in in the mining markets upon the making-up price of the day previous to that upon which they are regulated by Rule 110. If the making-up price in both cases should be the same, the coincidence would be purely accidental.

In the two exceptional cases of registered securities that do not "clear" and of bargains in bearer securities that

are not adjusted by Ticket, the differences set up in temporarily settling accounts by the making-up price are more or less casual, and the inequality which they sometimes involve in the position of creditors upon a defaulter's estate who might be expected to occupy equal rank is discussed under Rule 177 *post*.

Rule 110.

> On the morning of the Settling-day all unsettled bargains shall be brought down and temporarily adjusted at the making-up price of the Ticket-day, except bargains in stocks and shares, subject to arrangement by the Settlement Department, which shall be brought down and temporarily adjusted at the making-up price of the day before the Ticket-day.

(Compare Rule 122, and *vide* remarks thereon.)

The operation prescribed in the Rule is alternative to the crediting or debiting of Tickets when actually passed. Accordingly the regulation as to price corresponds to some extent (and was probably intended when made to correspond completely) with the injunctions of the Rule specially governing Ticket procedure; that is to say, bargains in stocks and shares subject to arrangement by the Settlement Department are to be brought down at the making-up price of the day before the Ticket-day just as under Clause (b) of Rule 94 Tickets for such stock or shares are to be passed through the accounts at the making-up price of the first making-up day. The differences to be settled on securities not dealt in in the mining markets would in both cases be the same. (See *ante* remarks on Rule 109.)

Securities whose settlement is not subject to arrangement by the Department are to be adjusted at the making-up price of the Ticket-day, which in point of time is the nearest fixed making-up price to the actual market price on Settling-day, and probably therefore the nearest in point of value also. As the price at which Tickets for this class of securities may come through is unknown, the selection of the latest fixed making-up price as a price of temporary adjustment is the best that could be devised.

A sells 100 shares to B at 5; B does not pass a name—A does not sell-out; the making-up price is 4½, and the bargain is temporarily adjusted at that price, the difference of £50 being claimed by A just as if a Ticket had passed at 4½.

Note.—The language of the Rule is not unmistakable; its intention is really limited to providing a means of adjusting bargains for which tickets have not been passed, but in that case the term "unsettled" is employed in a restricted and somewhat technical sense; for to the ordinary apprehension a sale and purchase which have not been consummated by delivery and payment would constitute an unsettled bargain (the term "Settlement" is indeed employed in Rule 141 to signify delivery and payment). There could be no objection to expressing the Rule in less professional phraseology as, for example, "All outstanding bargains for which Tickets have not been passed," etc.

Rule 111.

No Member shall be required to pay for shares or stock presented after Half-past Two o'clock; or after One o'clock on Saturdays.

If a deliverer elect to settle with his immediate buyer, under the provisions of Rule 68, he shall deliver his securities before Half-past Twelve o'clock, but intermediaries on the trace are bound to pay their sellers up to Two o'clock. (Compare Rules 84 and 117.)

The second clause (unlike the first) omits any special ruling as to Saturdays. It may be assumed, however, that the time limit as between the deliverer and his buyer (such buyer not being the issuer of the Ticket) is on Saturdays as on other days, Half-past Twelve o'clock, and as between other Members on the trace One o'clock.

In one particular the final clause of this Rule is less carefully drawn than the corresponding clause of Rule 84. After the word "buyer" is wanted the phrase "such buyer not being the issuer of the Ticket."

Having regard to the provisions in Rule 67 which, under specified circumstances, enjoins payment in Bank Notes upon delivery of securities, it would be desirable here to state expressly at what time delivery may *begin*.

RULES APPLICABLE TO SECURITIES TO BEARER.

Rule 112 (corresponds to Rules 78 and 89, but is subject to Rule 131 as regards bargains in the scrip or bonds of a new loan and to Rule 177 as regards the compulsory "hammer" bargains with a defaulter):—

> Bargains, when no time is specified, shall be considered as made for the existing Account; but those made after One o'clock on the day before the Ticket-day, shall, unless otherwise specified, be for the ensuing Account.

Nevertheless, although the final authority of the Rule is unimpeached, there is a strong impression in most of the markets that bargains done after 12 noon on the day before the Ticket-day should be for the new Account, and it may be said that the usage corresponds to this impression rather than to the Rule.

Rule 113 (corresponds to Rules 79 and 90. Reference to the present Rule is made in the remarks upon Rule 131):—

> Any claim arising from a bargain effected for a period beyond the ensuing two Accounts will not be allowed to rank against a defaulter's estate until all other creditors have been paid in full.

The diction of this Rule is faulty in the same sense as that of Rules 79 and 90.

The fixing of the Settlements is determined by Rule 140, *q.v.*

Rule 114.

An offer to buy or sell a sum of stock, at a price named, is binding as to any part thereof, not less than the under-mentioned sums, and divisible by the same, viz. :—

£1,000 Stock or Scrip.
Fcs. 750 French Rentes.
10 Shares.

An offer to buy or sell United States Bonds or Shares, when no amount is named, is binding to the amount of $5,000 Bonds or 100 Shares.

Note.—Some of the observations made upon the corresponding Rules 80 and 91 will apply here. But this Rule is more vacillating and ambiguous than either of the others. We have a literary, without a logical, correlation between the expressions "price named" in the first clause and "amount named" in the second, and, again, a literary without a logical differentiation between the expressions "a *sum* of stock" in the first clause and "no *amount*" in the second. We have also in the first clause "sum" used of the whole and "sum" used of a part of the whole, whilst in the second clause we have "amount" used with equal laxity. The mischief of such verbal freaks is not merely that they offend one's sense of literary form, but that they prevent a "sharp" and definite impression of the meaning to be conveyed from fixing itself upon one's mind.

There are here, however, other than literary faults. The first clause explains to what degree an offer is binding where a sum of stock is mentioned but vouchsafes no guidance in the event of *no* sum being mentioned.

The second clause, on the contrary (referring to U.S. bonds or shares), partially provides for the case where *no* sum is mentioned, but does not attempt to meet the alternative case!

Usage supplements the Rule more or less as follows:— A proposal when no sum is specified binds up to, or down to,

£1,000 Stock or Scrip,
Fcs. 750 French Rentes,
10 Shares,

just as when a sum *is* specified. With regard to U.S. bonds or shares, a proposal when *no* sum is specified binds

not only up to $5,000 bonds or 100 shares, but down to $1,000 bonds or 10 shares, and when a sum *is* specified a proposal binds as to any part thereof that may be a multiple of $1,000 bonds or 10 shares. The usage, however, is not hard and fast except in so far as it is identical with the Rule. For instance, although it seems to be generally supposed that a Member bidding for a sum of U.S. bonds need not take less than $1,000, yet if the sum in question were an odd multiple of $500, say $2,500, he would be expected to take even $500, or any multiple thereof up to the full sum required. The usage is indeed extremely elastic.

It must be observed that in the case of $50 shares (such as Readings or Pennsylvanias) the lowest unit would be 20 shares instead of 10. This is to some extent confirmed by the following Rule. At a special price, of course, bargains in 10 shares of $50 can be done; and, indeed, bargains in the higher multiples of 10 would involve no concession in price, as the dealer who could secure a profit on all but the odd 10 shares would disregard the possible loss attaching to the latter.

Bargains in multiples of 5 U.S. shares can only be effected by special treaty.

Rule 115.

No Member shall be required to accept the delivery of a certificate of American shares of a larger amount than 10 shares of $100 each nominal capital, or 20 shares of $50 each, nor an American bond of a larger amount than $1,000, except upon special contract.

Smaller certificates or bonds must be of such denominations as to be deliverable in the above amounts.

Rule 116 (corresponds to Rules 81, 82, 103 and 104).

The seller of securities for a particular day, which the buyer is not prepared to pay for by Half-past Two o'clock on that day (or Half-past Twelve o'clock on Saturdays), may sell out the same, and claim of the buyer any loss incurred.

Clause (j) of Rule 117 *post* enables the holder of Tickets passed under that Rule and of Tickets passed by the Settlement Department to deliver securities up to Two o'clock on Settling-days. Clause (l) orders buyers to pay for such portion of securities as may be delivered within the prescribed times.

Clause (k) of Rule 117 requires a Member not issuing a Ticket to pay for stock up to 2.30, and Rule 118 requires a Member to pay for securities presented until 2.30 on any day other than Settling-days—except Saturdays, when the limit is One o'clock.

Compliance with the requirements is plainly a term of any engagement in bearer securities, as all bargains are done subject to the Rules and Regulations (Rule 53).

Rule 150 orders that "a Member unable to fulfil his engagements shall be publicly declared a defaulter."

Now, a Member who has bought bearer stock for a particular day and is not prepared to pay for it by Half-past Two o'clock on that day is one who does not fulfil his engagement, and should, apparently, under Rule 150, be declared a defaulter. Why, then, does Rule 116 merely enable the seller to sell out? There is friction, if not absolute feud, between the two Rules. It may be argued that if a buyer failed to pay the difference ascertained by the selling-out of the stock he would then become a defaulter. That argument, however, does not prove that he had not defaulted before the selling-out.

The Rule as it reads certainly suggests that in the circumstances laid down default cannot be assumed against the buyer until the stock tendered has been sold out!

But even if this eccentric doctrine be accepted it still carries with it an intrinsic imperfection. For on Settling-days "Ticket" stock must be delivered by Two o'clock. Suppose now that payment is not forthcoming at Two o'clock, the seller, thinking to avail himself of Rule 116, will tender again at Half-past Two. The buyer meets him, however, with Clause (j) of Rule 117, which requires

delivery of "Ticket" stock by Two o'clock. According to a literal interpretation of the Rules, the seller cannot sell out, nor can the buyer be declared a defaulter! The case is a highly supposititious one, but it serves to illustrate the apparent inconsistency of the two Rules invoked.

An explanation upon broad grounds may probably be found in the fact that whereas payment might conceivably be refused owing to some minor irregularity or dispute, *default on The Stock Exchange implies actual insolvency.*

Finally, it may be said in round terms that bearer stock never *is* sold out.

Note.—The Rule is badly worded. The relative sentence is not well placed; but, apart from this, the description of the securities as "securities . . . which the buyer is not prepared to pay for," etc., is objectionable on the ground that, in so far as the Rule itself is informed, the seller when he deals has no knowledge that he is dealing in securities which the buyer is, or will be, unprepared to pay for. This is a purely literary objection, but it is one which could be entirely removed without in the least impairing the practical force (whatever that may amount to) of the Rule as it stands. As a *possible* version take the following:—

"If the buyer of securities for a particular day is not prepared to pay for "them by Half-past Two o'clock on that day (or by Half-past Twelve o'clock "if it be a Saturday) they may be forthwith sold out and any loss thereby "incurred shall be chargeable to the said buyer."

Rule 117 (corresponds to Rules 81, 82, and, more particularly, to Rule 94).

(a) On the Ticket-day between Ten and One o'clock, Tickets shall be passed without any price thereon, and the accounts made up therewith are to be settled at the making-up price of the day before.

(b) Tickets must bear distinctive numbers and be for the following amounts, viz.:—

£1,000 stock, or multiples of £1,000, up to £5,000.

£1,000 Italian stock, or multiples thereof, up to £5,000. Also £800, or multiples thereof, up to £4,800.

$5,000 American stocks, or multiples thereof, up to $25,000.

Fcs. 1,500 French 3 per cent. rentes, or multiples thereof, up to fcs. 6,000.
10 shares, or multiples thereof, up to 100.

(c) Tickets for £500 stock may be passed for bargains or balances of that amount.
(d) Smaller amounts must be settled without Tickets.
(e) Tickets shall not be issued later than Half-past Twelve on the Ticket-day.
(f) Tickets shall not be split, except in the Settlement Department in cases where the sub-committee appointed to control that Department may consider it necessary.
(g) Every Member is required to endorse on the Ticket the name of the Member to whom it is passed.
(h) On the Settling-day, and on the day after the Settling-day, the delivery of securities shall commence at Ten o'clock.
(i) Sellers shall accept Tickets. If a deliverer elect to settle with his immediate buyer, under the provisions of Rule 68, he shall deliver his securities before Half-past Twelve o'clock, but intermediaries on the trade are bound to pay their sellers up to Two o'clock.
(j) The holder of Tickets passed under this Rule, and of Tickets passed by the Settlement Department, may deliver securities up to Two o'clock on Settling-days.
(k) A Member not issuing a Ticket shall be required to pay for stock up to Half-past Two o'clock.
(l) Buyers shall pay for such portion of securities as may be delivered within the prescribed times.

Clause (a).—Although the Rule says "Tickets *shall* be passed, a buyer is not obliged to pass a Ticket unless he pleases to do so; he must, however, accept a Ticket if it be tendered between 10 and 1 o'clock [Clause (i)]. As a rule, Members taking up bearer stock do not trouble to issue Tickets, but in view of Clauses (j) and (k) an intermediary would be careful if he received a Ticket to pass it on, or, if he did not receive one, to issue one himself.

No price figures on the Tickets, as there is no deed of transfer to be made out.

Clause (b).—The alternative unit £1,000 or £800 for Italian stock is, of course, explained by the fact that £800 stock is the nominal sterling equivalent of 20,000 lire of

Capital or 1,000 lire of Rente, the multiples of which are as freely dealt in as the multiples of £1,000.

Rule 114, in referring to shares, treats U.S. shares distinctively from others; the present Rule does not specifically mention U.S. shares. It may be assumed, however, that they are included under Clause (b) in the general term "shares"—"10 shares or multiples thereof up to 100."

Clause (d).—The settlement of such smaller amounts would, of course, be at the price of the bargain, not at the making-up price mentioned in Clause (a).

Clause (f).—This clause appears to inflict an inevitable risk upon an intermediary who has sold a "line" of stock in one bargain and repurchased it in several, assuming (for example) that his buyer passes a Ticket for £5,000 stock, and that he himself has to pass Tickets for Five separate thousands, part of which do not come in, or only come in immediately before Two o'clock. The risk, however, is limited by Clause (b) defining the amounts for which Tickets may be circulated; and, moreover, Clause (l), directing buyers to pay for such portions of securities as may be delivered within the prescribed times, though perhaps not intended to conflict with the provisions of Clause (b), might be appealed to by an intermediary in the circumstances supposed, in order to induce his buyer to accept and pay for partial delivery. Indeed, it is quite a usual thing to get the issuer of a Ticket (or in the case of stock cleared, the Member who pays) to alter the Ticket for the amount delivered, though whether the deliverer can *insist* on such a course under Clause (l) becomes questionable on reference to Clause (b). On the whole, there would appear to be some grounds for the abrogation of the veto announced in Clause (f), more particularly as powers to split are already confided to the Department.

Tickets, of course, are not issued to the Settlement Department. It is only the Tickets of clearing Members who have been left out of the Clearing by their sellers that find their way into the Settlement Department.

Note.—The literary construction of this clause is feeble. The sense relies too much on arbitrary punctuation—that is to say, on the insertion of a comma after "split" and the omission of a comma after "Settlement Department." The meaning intended is that Tickets shall not be split except in the Settlement Department, and then only in cases where, etc.

Clause (h) tells us at what time delivery may ("shall" here means "may") commence on Settling-day and the day after, but not at what time it may commence on other days! Rule 119, however, shows that it must be performed before Half-past Two, unless the deliverer wishes to run the risk of having the stock which he has sold bought-in. This Clause is particularly important in view of Rule 67, which enables a seller, after giving notice, to claim payment in *Bank Notes upon delivery*, that is to say, in the present case, any time after 10 a.m.

Clause (i).—Sellers need not, and, of course, would not, accept Tickets after One o'clock (*vide* Clause (a)).

After the word "buyer" the words "such buyer not being the issuer of the Ticket" are required.

Clauses (j) and (k).—These are the Clauses that suggest to the intermediary the expediency of refusing Tickets after One o'clock, and of issuing Tickets when he has bought of several sellers stock which he has sold to one buyer.

Clause (l) compares with Rule 101. See the observations under Clause (f).

Rule 118 (is practically a Clause of the preceding Rule).

A Member shall be required to pay for securities presented until Half-past Two o'clock on any day other than Settling-days. On Saturdays, he shall not be required to pay for securities after One o'clock.

Rule 119 (corresponds to Rules 83 and 106, and is subject to Rule 72):—

Securities bought for any period, except the Settling-day, which shall not be delivered by Half-past Two

o'clock, or by Half-past Twelve o'clock on Saturdays, may be bought-in on the same, or any subsequent day, and any loss occasioned by such re-purchase, shall be borne by the seller.

But securities bought for the Settling-day, and not delivered by Half-past Two o'clock, may be bought-in on the following, or any subsequent day, after one hour's notice has been posted in the market announcing the intended purchase; the notices to be posted not later than Half-past Twelve o'clock. The buying-in shall not take place before Half-past One o'clock, nor before Quarter-past Twelve o'clock on Saturdays, on which days public notice shall be posted by Half-past Eleven o'clock. The loss shall be borne by the Member who shall not have delivered the shares or stock by Half-past Two o'clock on the previous day, or by One o'clock on Saturdays.

Stock thus bought-in, and not delivered by One o'clock on the following day, or by Twelve o'clock on Saturdays, may be re-purchased for immediate delivery without further notice, and any loss shall be paid by the Member causing such re-purchase.

In case the Official shall not succeed in executing an order to buy-in, the notice of such buying-in shall remain on the General Notice Board, and the Official may buy-in such stock, if not delivered, on any subsequent day without further notice, but not before Two o'clock, or on Saturdays before a Quarter-past Twelve o'clock.

A Member neglecting to take the numbers of securities delivered after time, shall be required to trace out the Member responsible for the loss.

The first clause implies the suppressed adverbial "without notice" after "bought-in."

The final clause would be clearer if it read as follows:—"An intermediary neglecting to take the numbers of securities delivered after time shall be required to trace out the Member responsible for any loss occasioned by such securities being bought-in."

In May, 1901, the operation of the Rule was suspended in respect of Northern Pacific Preferred and Common

shares in consequence of the "corner" that followed upon the struggle in New York for control of the Northern Pacific Company.

As mentioned in the remarks on Rules 105 and 83, the Member by whose order stock is bought-in, must not himself supply the stock to the Official Broker.

Rule 120 (corresponds to Rule 107 and to the final paragraphs of Rules 103 and 104. It is understood to release intermediaries only, although no mention of intermediaries occurs in the text):—

> A Member who shall allow Two clear days to elapse without availing himself of his right to buy in, or without attempting to buy in securities, releases his seller from any loss in consequence of the public declaration of any Member as a defaulter, unless he shall have waived such right at the request, or with the consent, of the seller. The holder of a Ticket who shall allow Two clear days to elapse without delivering the stock releases his buyer from any loss in consequence of the declaration of any Member as a defaulter.

The right to buy-in first accrues either on the day for which delivery was contracted or on the next succeeding business day (see Rule 119). The right to deliver first accrues on the day for which payment was contracted.

Rule 121 (corresponds to Rule 109).

> The Clerk of the House shall, at Twelve o'clock on each of the Two days preceding each Settling, fix the making-up prices of all securities by taking the then actual market prices; and no making-up shall be binding unless at such fixed prices.

At the mid-May Settlement, 1901, this Rule was, in the general interest and quite as an exception, over-ridden in a particular instance by the Committee, who fixed an *arbitrary* making-up price for Northern Pacific Railroad stock. This proceeding was to counteract the dangerous

situation created in that stock by events in New York—alluded to *ante*, under Rule 119.

After "Settling" supply "Day."

Rule 122.

On Settling-days, all unsettled bargains shall be brought down and temporarily adjusted, at prices to be fixed by the Clerk of the House at Half-past Two o'clock, and the differences shall be paid in the usual manner.

This Rule is not observed in practice. When unsettled bargains in securities to bearer are temporarily adjusted it is by bringing them down at the making-up price of the Ticket-day (see the preceding Rule). It would appear that the Clerk of the House does not even fix making-up or bringing-down prices at Half-past Two on Settling-days. The Rule, in short, has been obsolete for many years.

Rule 123.

Bargains in Exchequer Bills are for bills not filled up to order.

Rule 124.

Bargains in French Rentes, unless otherwise specified, shall be settled in certificates to bearer, and at a fixed exchange of fcs. 25 per pound sterling.

Rule 125.

Foreign coupons sold at the exchange of the day, and not paid, are returnable with all reasonable expenses.

Rule 126.

The buyer of bonds or other securities subject to periodical drawing, shall not be entitled to claim delivery thereof previous to the day for which they were bought. Bargains must be settled in securities which have not been drawn.

In case of the erroneous delivery of any drawn securities, the buyer (on receipt of undrawn securities,

and on allowance being made for any drawing or dividend of which he may have lost the benefit) shall deliver such securities back to the person who held them at the time of the drawing, or shall pay to him any proceeds received from such drawing, provided the said securities or the proceeds thereof be traced to, and remain in the possession and under the control of such buyer, all intermediate Members being released from liability.

No claim by the seller in respect of the erroneous delivery of drawn securities will be entertained by the Committee unless made within Nine Calendar months.

It is extremely improbable that recourse is intended to apply only against the actual proprietor of the bonds at the time of the drawing (as might be understood from the text); if the proprietor be not a Member of The Stock Exchange, his Broker must here be meant, as Rule 54 restricts legal action against the principals of Members, and it is only Members (and Clerks) who are amenable to the Rules of The Stock Exchange.

The Rule sets no limit to the time within which a buyer may refer back to "the person" who held them (the bonds) at the time of the drawing"—(in practice the deliverer). The seller's rights, on the other hand, lapse in nine months.

(See also the observation on Rule 70.)

Rule 127 (like the corresponding Rule 108, is ill worded).

The buyer is entitled to new securities issued in right of old, provided that, within reasonable time, he specially claim the same in writing from the seller, who may after due notice require the buyer to complete the bargain in old securities. Claims should be entered as bargains, and as such be checked in the usual manner.

The Secretary of the Share and Loan Department, subject to the approval of the Chairman or Deputy Chairman of the Committee for General Purposes, shall fix a price at which the new securities may be temporarily settled, and which may be deducted by

the buyer from the purchase money of the old securities until the Special Settlement.

The Committee will not entertain any dispute relating to unchecked claims, unless brought before them within Ten days after the Special Settling-day.

Note.—Paragraph 2 authorises the deduction of the *price* of the New Securities from the *purchase money* of the Old, as though *price* and *purchase money* were interchangeable terms. What is intended is that the value of the New Securities calculated at the price fixed for temporary settlement may be deducted from the purchase money of the Old Securities.

Givers of option money for the call of stock are looked upon as buyers in so far as dividends and "rights" are concerned, just as, conversely, takers for the call are regarded as sellers, and it is interesting to enquire how the Rule would operate upon certain option bargains. For example:—

On 1st June (when there is no question of rights on Baltimore and Ohio stock) A gives Z 3 call 500 Baltimore and Ohio at 62, end October. On 1st September Baltimore and Ohio are "ex rights" 1 new share at 60 for 10 old. End October Baltimore and Ohio old are 80, and new 76. A accordingly calls of Z 500 old shares at 62 and 50 new shares at 60. But what is Z's position? As regards the old stock he has no ground for complaint, but as regards the new he is the victim of circumstances over which he has had no control. The old shares are "ex rights" (or "ex new") on 1st September when the price, we will suppose, has experienced no decided alteration. The taker's option to *apply* for new shares has then lapsed, but he has still to allow his giver the option of *calling* the new shares for another two months.

The pretension here involved rests upon the principle that stock bought for a future date carries all rights from the date of the purchase up to the date of the delivery of the stock. But there are grounds for thinking that this principle is misapplied when adapted to the above illustration, inasmuch as the holder of the Baltimore and Ohio enjoyed a right to take his proportion of new stock at 60

only up to 1st September, whereas the giver of the option money is allowed to exercise *his* "right" to the new stock up till the end of October. In other words, the giver of the option money receives from the taker a free gift of a Two months' option over the new stock at 60. It can hardly be argued that this sub-option was or should have been charged for in the original option money taken, as when that was fixed no issue of new stock was foreseen by *either* party to the option. A more equitable ruling would be that in such a case as the above the value of the "right" should be ascertained *on the day the shares are first "ex,"* should be quoted in dividend form, and (in the event of the old shares being called) should be credited to the giver for the call at the ascertained value.

The doctrine that a taker of money for the call must provide new stock at the option of the giver on the original terms of the right, even after a Company's offer to allot on those terms has lapsed, seems utterly untenable in the light of the wording of the Rule, which makes a special claim in writing, *within reasonable time*, a condition even of an absolute buyer's title. "Reasonable time" cannot possibly be stretched to mean two months, or even two minutes, after the expiration of the term within which a holder of old stock has a right to bespeak the new on the conditions officially announced.

A *Giver* for the *Put* in circumstances similar to those cited above might find his option spoiled by having to provide the new stock by purchase two months after he could have acquired it on cheaper terms by subscription. Indeed, under the accepted interpretation of this Rule an unsuspecting giver for the Put might find at the maturity of his option that whereas he had indeed *given money* for the Put of the old stock, he had (in the professional phraseology) "*taken nothing*" for the *Call* of the new!

Rule 128.

The deliverer is responsible for the genuineness of securities delivered, and in case of his death, failure,

or retirement from The Stock Exchange, such responsibility shall attach to each Member in succession, through whose account the Ticket for such securities shall have passed.

The deliverer of securities on Tickets is required to apportion such securities to each Ticket at the time of delivery, and takers of securities, in order to secure their right under this Rule, shall keep such Tickets and the numbers of securities to which they were respectively apportioned, or, in the case of Settlement Department Tickets, the numbers of such Tickets.

French and Egyptian securities to bearer, which, under French or Egyptian law, have been officially notified as stopped, are returnable to the deliverer.

This Rule differs in several details from Rule 92, applicable to registered stock. First, the responsibility is in respect of genuineness, and not explicitly of genuineness and regularity. Still, there is little doubt that responsibility for regularity would also rest upon the deliverer; *e.g.*, a Spanish 4 per cent. external bond, however genuine, would be a bad delivery unless it were a *sealed* bond. It is evident, too, from Rule 129 next succeeding, that irregularity would be held to impair genuineness, or, at least, would involve for a limited period similar recourse to that involved by want of genuineness.

Secondly, responsibility under Rule 92 includes dividends, but no mention is made in the present Rule of the coupons. Rule 73, however, states that "securities to bearer are not deliverable on the Settling-day without the current coupon."

Thirdly, responsibility attaches to the deliverer and not to the intermediate seller unless the deliverer should have died, failed or retired, whereas responsibility in the case of registered stock attaches under Rule 92 to "the seller"—an expression which includes the whole "trace" or "read."

Note.—Clause 2 is a curious example of Victorian English. First of all the word "securities" is employed in a general or universal sense and immediately afterwards referred to as though it had been employed in a particular sense—"*such* securities." The eccentric use of "such," in the

context in which it appears, leads the reader to expect the correlative "as" after "delivery," and consequently perverts his train of thought from its proper destination. The meaning intended is that securities delivered upon a certain Ticket shall be considered as appropriated to that Ticket.

Secondly, in the opening of the Clause the deliverer is required to apportion Securities to Tickets, whereas towards the end of the Clause he is assumed to have apportioned Tickets to Securities!

Finally, the real meaning of the last part of the clause does not appear to be that which is expressed, as the meaning expressed is at variance with custom and with the dictates of ordinary prudence. Takers of securities who desire to secure their rights under the Rule are admonished to "keep such Tickets and the numbers of the securities to which they are respectively apportioned or, in the case of Settlement Department Tickets, (*to keep*) the numbers of such Tickets." But it is clear that the "taker of securities" on Settlement Department Tickets, who omitted to keep the numbers of the securities as well as the numbers of the Tickets, even though those Tickets were uttered by the Settlement Department, would have a much diminished chance of fixing responsibility by evidence. In practice the numbers of securities are always recorded by takers (unless pressure of time lead to an exception), whether the securities be delivered on Settlement Department Tickets or on Members' Tickets, and the Tickets themselves (of either class) are preserved—not merely the numbers of them. All that this part of the clause intends, apparently, is to insist, in the case of Departmental Tickets, merely on the preservation of the numbers of such Tickets, whereas, in the case of Members' Tickets, the Tickets themselves must be preserved. The distinction is not a very valuable one, for it is as easy to preserve a Ticket as to preserve its number. It may, however, be demonstrated that the number of a Departmental Ticket is sufficient to identify the "trace," whereas, in the case of a Member's Ticket, the Ticket itself is necessary; for presumably the Department retains a duplicate (or counterfoil) of its own Tickets (which

duplicate reproduces the "trace" appearing on the face of the Ticket), but there can be no duplicate reproducing the "trace" in a Member's Ticket, as the "trace" is only established in the course of its circulation.

The final clause of the Rule relates to certain classes of French and Egyptian securities which may be *frappés d'opposition;* these classes do not embrace the important category of French Government Rentes, nor does the regulation now affect English holders of Egyptian bonds. Stopped bonds other than those designated in the Rule are fully negotiable on The Stock Exchange—at least the validity of the delivery of stopped bonds cannot be challenged unless there is evidence that the deliverer was aware of their having been stopped. It may be that an effective stop can be put upon the shares of United States Railways. Such shares, though governed by the group of Rules relating to bearer securities, are not literally bearer shares. They pass as such only in virtue of the registered holder's endorsement, and there is some risk to purchasers in permitting them to remain in a previous holder's name. (See observation on Rule 74.) Certificates of United States shares may have been stolen and negotiated. A subsequent purchaser is informed on sending them to America for transfer that the registered proprietor has put a stop on them. The certificates are impounded, and should the purchaser wish to defend an action by the registered proprietor for restitution, he must pay into Court double the value of the shares within one month. This gives the deliverer or the principal very little chance of saving the situation, for the shares might have been bought months or years before from the first deliverer of the certificate, and it might be a physical impossibility to trace out the actual holders at that period in the limited time permitted to get up a defence—not to mention the costliness and risk involved in such remote litigation.

The comparatively recent introduction of the final clause of Rule 129, limiting to three months the period during

which appeal may be made to the Committee in respect of irregular endorsement, will perhaps eventually have the effect of stimulating purchasers to obtain a legal title with more expedition than has hitherto been the custom.

Rule 129.

Every bond or scrip share is to be considered perfect, unless it be much torn or damaged, or a material part of the wording be obliterated. The Committee will not take cognizance of any complaint in respect of bonds or shares alleged to have been delivered in a damaged condition, or deficient in, or with irregular, coupons, should such bonds or shares be detained by the buyer more than Eight days after the delivery, unless it can be proved that the Member passing them was aware of their being imperfect.

The Committee will not take cognizance of any complaint in respect of the irregularity in the endorsement of American Share Certificates should such Certificates be detained by the buyer more than Three months after delivery, unless it can be proved that the Member passing them was aware of the irregularity.

The interpretation of "perfect," "much torn or damaged," "material part" and "obliterated" naturally varies with the individual arbiter, and the Rule consequently provides a good many cases for the Committee. It is difficult to see how this could be avoided. The tendency, in conformity with the general business-like "go" of The Stock Exchange, is not to be too scrupulous as to condition.

Note.—The word "coupons" might with advantage be inserted after the words "deficient in" in the first paragraph and the comma after "irregular" deleted. The insertion of the word "the" before "irregularity" in the second Clause is a literary error.

Rule 130.

Bonds and debentures of railways in Great Britain, Ireland, and the East Indies, shall be dealt in so that the accrued interest, up to the day for which the bargain was done, be paid by the buyer; but bargains in bonds and debentures of Colonial and Foreign railways shall include the accrued interest in the price.

SPECIAL SETTLING DAYS.

Rule 131.

Bargains in the scrip or bonds of a new loan, or the shares or other securities of a new Company, shall be considered as made for Special Settlement. Claims arising from bargains for a date previous to that fixed for the Special Settlement will not be admitted against a defaulter's estate until all other claims have been paid in full.

A possible exception to this Rule is allowed under Rule 133, *q.v.*

It has been pointed out in the observations upon Rules 78, 89 and 112 that those Rules are subject to the exception raised by the present Rule. The Rule would be in more complete accord with practice if it mentioned, besides the securities of new Companies, any new issues by old Companies.

Special Settlements are rarely refused; they are never refused on the grounds that there has been a dangerous amount of speculation going on in the stock concerned. A refusal of that kind would amount to a denunciation of the doctrine declared in Rule 59, *ante*.

The reader's attention is especially directed to Rules 79, 90, and 113. In view of the enormous option business which is done in London for remote future dates, those Rules may be qualified as faint-hearted, but the strongest reformer would hesitate before bringing them into line with Rule 131. For Rule 131 does in effect authorise transactions in the securities which it defines at any period before the Special Settlement. It stamps with the official sanction bargains done to-day in a security for which the

Settlement may not be fixed for many months to come, although there is no test of solvency until the Settlement actually takes place. The conservatism of Rule 60, and the timidity of Rules 79, 90, and 113 are thrown into strong relief by such unstinted tolerance. If the three Rules last mentioned have any definite object it is to put a term to speculation and a limit upon unsecured engagements. But in the year 1901 a conspicuously grave crisis arose partly out of reckless speculation for "Special Settlements." Hundreds of people were nursing the hope that the Settlements in certain British Columbian ventures would never take place—hundreds who a little earlier chafed under the delay in fixing them. Brokers were asserting their legal and moral irresponsibility as between clients and dealers, dealers and clients were juggling with one another and with the intermediate brokers; and whilst the financial press teemed with irrelevant ratiocination, the gloom of impending disaster hung imminent over the market. Such was the situation not, certainly, established, but sanctioned, and perhaps encouraged unintentionally by the indulgence accorded to speculators and gamblers under Rule 131.

What seems to be wanted is a prohibition of indefinitely postponed engagements—a definite ruling to the effect that no transactions in new issues be permitted until a date for the Special Settlement has been fixed. Then we should have healthier markets and a saner *clientèle*, and last, if least, an approach to harmony amongst the various rules regulating the maturities of Stock Exchange engagements.

It may be unnecessary to point out that not only is the latitude allowed under the Rule an enormous temptation to the gambling public to buy what it could never afford to pay for, or to sell what it might never be in a position to deliver, but that, the market in new issues being frequently confined to two or three dealers, and not infrequently to one, there is little or no choice of engagement in the House, and consequently one party to the contract may be an undesirable private speculator and the other an

unchosen dealer, the nature of whose operations indicates an inflated account in securities which, so far as positive knowledge goes, may be absolutely valueless. These risks would at least be abated, if not altogether removed, were the Settlement in sight before commitments were allowed.

Rule 132.

The Secretary of the Share and Loan Department shall give Three days' public notice of any application for a Special Settling-day in the scrip or bonds of a new loan previously to its being submitted to the Committee, who will appoint a Special Settling-day, provided that sufficient scrip or bonds are ready for delivery, as vouched for by a certificate verified by the statutory declaration of the contractors or agents stating the amount allotted; and that the scrip and bonds are in reasonable amounts.

Conditions that would stand in the way of a Special Settlement are suggested or declared in Rules 59, 62 and 63, but apart from these cases there must be some insuperable obstacle if a Settlement which has been applied for in regular form is refused. For a refusal would have the effect of rendering null and void under Rule 131 all bargains in the securities in question, a consequence which is quite at variance with the general policy of The Stock Exchange as embodied in Rule 59.

Rule 133.

Bargains in Foreign Loans which are officially quoted in the country to which they belong shall be for the Ordinary Settlement.

An exception to Rule 131, or at least to the practice which subjects all new issues and not merely the issues of a new loan or a new Company to the regulation therein declared.

Rule 134.

The Secretary of the Share and Loan Department shall give Three days' public notice of any application for a

Special Settling-day in the Shares or other Securities of a new Company previously to such application being submitted to the Committee, who will appoint a Special Settling-Day provided that sufficient scrip or shares are ready for delivery.

*The Committee will not fix a Special Settling-day for bargains in shares or securities issued to the vendors, credited as fully or partly paid, until Six months after the date fixed for the Special Settlement in the shares or securities subscribed for by the public.

*This paragraph does not necessarily apply to re-organisations or amalgamations of existing Companies, or to cases where no public shares are issued, or to cases where the vendors take the whole of the shares issued for cash.

This paragraph of the Rule becomes operative in the case of all Companies registered on or after the 1st October, 1898.

Note.—Clause 2 is deeply indebted for its meaning to the mechanical device of punctuation. Without this expedient we should have "Vendors credited as fully or partly paid until six months after the date fixed for the Special Settlement," etc.

OFFICIAL QUOTATIONS.

Rule 135.

The Committee may order the quotation of the scrip or bonds of any loan, the dividends of which are payable in this country, provided that the application, of which Three days' public notice must be given, is accompanied by the prospectus, by notarial copies or translations, or other satisfactory evidence of the powers under which the loan is contracted; that the loan has been publicly negotiated by tender, contract, or otherwise; that the bonds specify the amount and conditions of the loan, the power under which it has been contracted, and the numbers and denominations of the bonds issued, and that they bear the autographic signature of the contractor or properly authorised agent.

Bonds will not be admitted to quotation until a specimen has been submitted to the Committee.

Nor would quotation be granted if a Settlement had been refused. *Vide* in this connection Rule 139.

Rule 136.

Bonds, the dividends of which are payable abroad, may be quoted upon satisfactory proof of the amount created and issued, and of the official quotation in the country where issued.

Rule 137.

The Committee may order the quotation in the Official List of any class of the shares or securities of a new Company, provided:—

(I.) That the Company is of sufficient magnitude and importance;

(II.) That Three days' public notice of the application has been given;

(III.) That the following documents have been deposited with the Secretary of the Share and Loan Department:

(a) The Prospectus;
(b) The Certificate of Incorporation, Act of Parliament, or other similar document;
(c) The Certificate that the Company is entitled to commence business;
(d) The Articles of Association;
(e) The original applications for shares or securities;
(f) The Allotment Book for shares or securities, with a summary signed by the Chairman and Secretary of the Company;
(g) A copy of the letter of allotment for shares or securities;
(h) A specimen of the certificate or bond;
(i) Certified copies of contracts and agreements;
(k) Notarially certified translations of concessions, deeds, and agreements;
(l) A certificate, verified by the statutory declaration of the Chairman and Secretary, stating:—
(1) That the Prospectus complies with the provisions of the Companies Acts;
(2) That all documents required by the Companies Acts have been duly filed, and the dates of filing the same;
(3) The number of shares and amount of securities applied for by and unconditionally allotted to the public, and the distinctive numbers of the same;
(4) The number of shares and amount of securities allotted in whole or in part for a consideration other than cash and the distinctive numbers of the same;
(5) The amount of deposits paid;
(6) That such deposits are absolutely free from any lien;
(7) That the certificates or bonds are ready for delivery;
(8) That the purchase of the properties has

been completed, and the purchase-money paid;

(9) That no impediment exists to the settlement of the account;

(m) The bankers' pass book;

(n) A certificate from the bankers, stating the amount of deposits received;

(o) In the case of an issue of debentures or debenture stock—

(1) The trust deed, if any;

(2) The official certificate of the registration of the mortgage or charge;

(IV.) That the Prospectus—

(a) Shall have been publicly advertised;

(b) Agrees substantially with the Act of Parliament or Articles of Association;

(c) Provides—

(1) For the issue of not less than one-half of the authorised capital;

(2) For the payment of 10 per cent. upon the amount subscribed;

(d) If offering debentures or debenture stocks, however designated or described, states all terms, conditions and circumstances under which such are or may become redeemable or repayable.

(V.) That two-thirds of the amount proposed to be issued of any such class of shares or securities (whether such issue be the whole or part of the authorised amount) shall have been applied for by and unconditionally allotted to the public (shares or securities reserved or granted in lieu of money payments to concessionnaires, owners of property or others not being considered to form part of such public allotment).

(VI.) That the Articles of Association restrain the Directors from employing the funds of the Company in the purchase of, or in loans upon the security of, its own shares;

(VII.) That every debenture or debenture stock certificate shall contain the information required in Clause IV. (d); and when any of such are allotted to vendors in lieu of money payments, the certificates shall be enfaced "issued to vendors";

(VIII.) That a Broker, a Member of The Stock Exchange,

is authorised to give full information as to the formation of the undertaking, and be able to furnish the Committee with all particulars they may require.

The above requirements constitute unanswerable evidence of the scrupulous supervision which the Committee of The Stock Exchange exercises in the public interest.

Rule 138.

Foreign Companies partly subscribed for and allotted in this country, shall not, unless under special circumstances, be allowed a quotation in the Official List, until they have been officially quoted in the country to which they belong.

Rule 139.

The Committee may order the quotation of shares or securities issued to vendors credited as fully or partly paid, six months after the date fixed for the Special Settlement of the shares or securities of the same class subscribed for by the public, provided a quotation for the latter is also granted.

Note.—This Rule exhibits the same literary carelessness in drafting as does Rule 134, par. 2, and is less assisted by the resources of punctuation.

ORDINARY SETTLING-DAYS AND OFFICIAL QUOTATION OF PRICES.

Rule 140.

The Committee shall fix the Settling-day for English stock, at least Eight days previous to the settlement of the pending Account, and at their first meeting in each month they shall fix the Ticket-days and Settling-days for Foreign stock, shares, &c., of the second succeeding month.

The Secretary shall give notice of the days thus appointed.

The expression "Settling-day for English stock" is not sufficiently comprehensive. It means "the Consols Account-day," for which bargains in India and in Corporation stocks, as well as in English stock, are (or should be) understood in conformity with Rule 78.

Rule 141.

The Settling-day in English Omnium and scrip shall be Two days prior to the respective days of payment of each of the several instalments, unless the payment falls on a Tuesday, in which case the Settling-day shall be on the previous Monday.

In case the payment of an instalment on Foreign or other scrip falls on a Settling-day, the settlement of such scrip shall take place the day previous to the payment.

This Rule should be compared with Rule 99, which, dealing with registered shares, enables a seller to prepay a call pending, although such call may not be actually due. In the case of bearer scrip the seller is neither entitled nor constrained to do this—payment of calls pending devolves

on the buyer—and the appointed settling date is even anticipated by a day where it chances to coincide with the date upon which an instalment falls due.

Omnium has been defined as "the aggregate nominal value of the different stocks in which a loan is funded." The term is now practically out of date.

Rule 142.

A list of prices of English and Foreign stocks, shares and other securities, permitted to be quoted, shall be published under the authority of the Committee; and no list shall be published and sold by a Member without the sanction of the Committee.

Rule 143.

The prices of all bargains may be quoted in the Official List, but no price shall be inserted unless the bargain shall have been made in The Stock Exchange between Members at the market price; nor on the authority of one of them, if he refuse, when required by a Member of the Committee, to give up the name of the Member with whom he has dealt.

"All bargains" means all bargains effected in securities admitted to the official quotation (*vide* Rules 135 to 139), provided the price of such bargains does not involve any fraction other than $\frac{1}{16}$ or its multiples.

But not only must bargains be made between Members at the market price and in securities so admitted—they must also be made between the hours of 11 and 3 (11 and 1 on Saturdays); this perhaps is assumed to be manifest from the provisions of Rule 77 (opening paragraph), although The Stock Exchange does not close till Four (Saturdays, Half-past One; Account days, Half-past Four).

A Broker with a buying order in a hundred shares of some officially quoted security may be able to obtain them at $1\frac{1}{32}$. If, however, he desires to "mark" the price at

which he deals, he will buy, not 100 shares at $1\frac{1}{32}$, but 50 at 1 and 50 at $1\frac{1}{16}$ and record both prices.*

Rule 144.

Bargains at special prices by reason of their exceptional amounts may only be quoted with distinguishing marks.

Rule 145.

Bargains in English stock for the next transfer day, or in Foreign or other stocks for the following day, may be marked in the Official List of money prices.

Bargains in all stocks made during the shutting, for the opening, may be quoted in the Official List.

Bargains in Foreign bonds may be quoted in the Official List, with or without over-due coupons.

Omnium may be quoted for the issue of the receipts, for money, and for the next succeeding payment.

Clause 1.—The observations made upon Rule 143 apply to this and the next Rule.

Clause 2.—"Shutting" and "opening" used without explanatory context, as here, are professional *argot*. What is meant is the shutting and the opening of transfer books for the preparation of dividend or for other purposes.

For "Omnium," see observation on Rule 141.

Rule 146.

All dealings in English stock (except Bank stock), and in India stocks, for any day subsequent to the striking of the balances of such stocks for dividend, shall be ex-dividend, and quoted accordingly.

On and after the day following that upon which balances are struck in inscribed stocks, such stocks are transferable ex-dividend. This Rule, therefore, simply brings market procedure into harmony with the regulations of the bank

* Up to the 30th September, 1901, bargains in quoted securities were only eligible for official marking provided they did not involve any fraction other than $\frac{1}{16}$ or its multiples where the price was *below* £30, or other than $\frac{1}{8}$ or its multiples where the price *exceeded* £30.

that keeps the transfer books. The Consols Settling-day in March, June, September, and December is indeed so fixed as to coincide with the day upon which the balances in Consols and kindred stocks (the most important group of inscribed securities) are struck at the Bank of England. For example, the quarterly dividend on Consols is due on April 5th; two months or more previously the Bank of England gives notice that balances will be struck on the night of March 1st, and that on and after March 2nd the stock will be transferable ex-dividend. The Committee (acting under Rule 140) is thus enabled to fix the Consols Settling-day for March 1st, so as to coincide with the striking of the balances. This arrangement is the simplest possible. On March 1st prices for cash—at least during the first hour or two—would probably be quoted cum dividend, as there is time up to One o'clock for the transfer to take place before the books are ruled off. Prices for the ensuing account would be ex-dividend in conformity with the Rule. Cash prices after One o'clock would generally be quoted ex-dividend, as it would be assumed that the transfer was not to take place until the following day—on the grounds that instructions for transfers though received up to Three o'clock, are only received *free* up to One o'clock, the fee after One being 2s. 6d.

Bank stock is mentioned as an exception to the Rule simply because bargains in Bank stock are supposed to be made (and frequently are made) for the Consols Settling-day, whereas the balance is not struck until about Three weeks after the date on which the balance for Consols is struck. *E.g.*, the dividend on Bank stock is due on April 5th, 1901; the balance is struck on the 21st March, and the stock is transferable ex-dividend only on and after 22nd March. If any time before the 22nd of March a Member deals in Bank stock for the Consols Settlement (April 3rd), he deals cum dividend (although April 3rd is subsequent to the striking of the balance), and adjustment is made in the ledger accounts.

N.B.—Consols scrip to bearer would be ex-dividend only on the day on which the coupon is payable. It is, of course, unaffected by the striking of the balances for inscribed Consols.

Rule 147.

Bargains in transferable shares or stock, except securities dealt in in the Mining Markets, shall be quoted ex-interest from the beginning of the Account in which the interest may become payable; and ex-dividend from the beginning of the Account following that in which the dividend may have been declared, provided the dividend be made payable to the holders then registered; but in case of a subsequent shutting of a Company's books for payment of the dividend, then from the beginning of the Account following that in which shutting occurs.

Securities dealt in in the Mining Markets shall be quoted ex-dividend from the beginning of the Account following that in which the dividend shall have been paid.

Bargains in securities to bearer shall be quoted ex-dividend on the day when the dividend is payable.

Shares in Foreign Railways shall, when practicable, be quoted ex-dividend, or ex-interest, at a period in accordance with the practice of Foreign Bourses.

As a matter of fact *inscribed* stock is transferable, but "transferable shares or stock" (first paragraph) presumably means shares or stock deliverable by deed of transfer (*vide* heading to group 89-111)—more crisply described as "registered securities."

Note.—In the final paragraph of the Rule "usage" might be substituted for "practice" in view of "practicable" immediately above.

Rule 148.

Bargains should be quoted in the order in which they are made; but the Clerks of the House may, with the concurrence of a Member of the Committee, quote omitted bargains, if notified before One o'clock, in the order in which they occurred, upon a written

application from the buyer and the seller, stating the amount, the time when, and the price at which, such bargains were made; and such application shall be filed, and laid before the Committee at their next meeting. The above regulation applies likewise to all bargains done between One and Three o'clock.

On all business days except Saturday there are two editions of the Official List, the first recording business done between Eleven and One, and the second business done any time during official hours, *i.e.*, between Eleven and Three. But this does not explain the final sentence of Rule 148. The "regulation" referred to enjoins, amongst other things, notification before One o'clock. It seems, however, impossible to notify before One o'clock an omission to quote bargains which do not take place until *after* One o'clock.

Note.—The syntax of the Rule is defective. We notice *inter alia* "a written application from the buyer and the seller stating the amount . . . such bargains were made"!

Rule 149.

A price inserted in the Official List shall not be expunged, without the authority of the Chairman, Deputy-Chairman, or Two Members of the Committee.

FAILURES.

Rule 29 was framed with the intention of limiting the liabilities of Members as far as possible to Stock Exchange engagements. Consequently the debts of a Defaulter are almost entirely such as arise out of his operations on The Stock Exchange, and are therefore usually settled under the present group of Rules and the succeeding group without appeal to the Bankruptcy Court. It must be observed, however, that a Member defaulting ceases *ipso facto* under Rule 151 to be a Member; accordingly, neither he nor any creditor of his who may be a Non-Member is subject to the authority of Rule 54, prohibiting legal proceedings against a Member or bound by the now ensuing Rules. But (1) under Rule 162 the penalty of no re-admission will attach to the Defaulter who refuses to "give up the name of any principal indebted to him, or who, within Fourteen days from the date of his failure, shall not have delivered to the Official Assignees, or to his creditors, his original books and accounts, and a statement of the sums owing to and by him in The Stock Exchange at the time of his failure; and (2) the penalty of deferred eligibility for re-admission will attach to the Defaulter who has committed the irregularity indicated in Rule 163. It is usually found to be the general interest of all concerned to abide by the Rules regulating failures, and thus to leave the administration of the Defaulter's estate entirely in the hands of the Official Assignee. Administration in bankruptcy, however, may confer certain powers beyond those with which the Official Assignee is invested, and, if in any par-

ticular instance such powers are considered by that functionary to be desirable, the consent indicated in Rule 54 to proceed at law will be forthcoming.

Rule 150.

A Member unable to fulfil his engagements shall be publicly declared a Defaulter by direction of the Chairman, Deputy-Chairman, or any Two Members of the Committee.

Rule 151.

A Member declared a Defaulter in The Stock Exchange, or a Member who may become a bankrupt, or be proved to be insolvent, although he may not be at the same time a Defaulter in The Stock Exchange, ceases to be a Member.

Obviously a bankrupt or insolvent Member would be a standing danger to The Stock Exchange.

Rule 152.

When a Member shall give private intimation to his creditors of his inability to fulfil his engagements, the creditors shall not make any compromise with such Defaulter, but shall immediately communicate with the Chairman, Deputy-Chairman, or Two Members of the Committee, in order that the Member in default may be immediately declared; and in case the Committee shall obtain knowledge of any private failure, the name of the Defaulter shall be publicly declared.

If a Member survives the periodical Settlement, he is assumed to be solvent, for it is then taken as demonstrated that his engagements have been fully carried out. But compromise might enable an insolvent Member to engage in further commitments, which the precariousness of his position, if generally known, would have made impossible. His failure, when it *does* come, may therefore be of an aggravated importance.

The same observation applies to Rule 153.

Rule 153.

A Member conniving at a private failure, by accepting less than the full amount of his debt, shall be liable to refund any money or securities received from such Defaulter, provided he shall be declared within Two years from the time of such compromise, the property so refunded being applied to liquidate the claims of the subsequent creditors. Any arrangement for settlement of claims, in lieu of *bonâ fide* money payment on the day when such claims become due, shall be considered as a compromise, subject to the provisions of this Rule.

The guiding principle of this Rule is identical with that which underlies Rules 155, 159 and 160 especially, and, broadly speaking, the whole group of Rules relating to failures—viz., that there is to be no artificial solvency, and that there shall be no preferential treatment other than the Rules prescribe.

A penalty for compromise is also imposed upon the Member defaulting (see Rule 163).

Rule 154.

A Member who shall have received a difference on an account, prior to the regular day for settling the same, or who shall have received a consideration for any prospective advantage, whether by a direct payment of money, or by the purchase or sale of stock at a price either above or below the market price at the time the bargain was contracted, or by any other means, prior to the day for settling the transaction for which the consideration was received, shall (in case of the failure of the Member from whom he received such difference or consideration) refund the same for the general benefit of the creditors; and any Member who shall have, under the circumstances above stated, paid or given such difference or consideration, shall again pay the same to the creditors; so that, in each case, all persons may stand in the same situation with respect to the creditors as if no such prior settlement or other arrangement had taken place.

Rule 155.

A creditor receiving, under any circumstances, a larger proportion of differences on a Defaulter's estate than that to which each of the creditors is entitled, shall refund such portion as shall reduce his dividend to an equality with the others.

The two last Rules are designed to secure equality of treatment—not for all creditors, for the ensuing Rules differentiate certain claims from certain others—but for all creditors according to their class. In short, they forestall unfair preference. It will be shown, nevertheless, in discussing Rule 177, that *accidental* preference does take place. The leading idea of Rule 154 would be more forcibly conveyed by the expression "*premature* settlement" than by the expression "prior settlement" which has been adopted in the final sentence.

Rule 155 would not necessarily bind Non-Members.

See also Rule 174, directing the Assignees to investigate any bargains suspected to have been effected at unfair prices.

Rule 156.

Creditors for differences shall have a prior claim on all differences received by, or due to, a Defaulter's estate.

"Prior claim" means practically "first claim." Under this Rule priority could be asserted over claims for non-payment of securities delivered (Rule 157), for money lent on collateral security (see Rule 158), for unsecured loans (Rule 159), for dividends (Rules 74, 75, 92), for "splits" (Rule 94), for ad valorem stamps, registration fees, and mortgage stamps (Rule 100).

The Rule is subject to the exception established by Rule 160 as to differences allowed to remain unpaid for more than two days beyond the day on which they become due.

Note.—The form in which the Rule is expressed is not the best conceivable; there is a certain weakness of definition, which an alternative form of expression would avoid, *e.g.*, "Differences due by a Defaulter's Estate, shall be a first charge on differences received by or due to his Estate."

Rule 157.

> Members not receiving due payment for securities delivered on the day of default, are entitled, so far as regards the value thereof, at the average price on the day of delivery, to be paid *pro ratâ*, and preferentially, out of assets resulting in any manner from such securities, or derived from the Defaulter's own resources; and, should these prove insufficient, they shall, as to the balance of such claims, participate with other creditors in any surety-money of the Defaulter.

When the Defaulter is not the immediate buyer of the Member delivering the securities, the latter has a simpler remedy under Rule 68. Rule 157 asserts the rights of the Defaulter's *immediate* seller. The effect of this Rule might appear at first sight to be similar to that resulting from the operations prescribed by Rule 177, except that in that case the "making-up" price is the price "current in the market immediately before the declaration," whereas in this case, the making-up price (if the term may be applied) is "the average price on the day of delivery." The present Rule, however, merely asserts a title to payment at the average value, and does not sanction a claim for any difference between such price and the price of contract. The phrase "balance of such claims" considered contextually must mean the difference between the average value on the day of delivery and any lesser amount derived from the negotiation of the securities or from the Defaulter's own resources. The Rule interpreted strictly as it stands does not even allow of the reasonable assumption that the securities are returnable if not actually disposed of, although there is reason to believe that in such a case they *are* returnable. (See also remarks on p. 152.)

Note.—We are once more confronted with the obscurity resulting from ill-chosen language and false punctuation. The Rule purports to determine the rights of Members in a most serious contingency—a contingency, nevertheless, which does not arise so often as to enable us to rely on the usage and dispense with the Rule—but, so far from dispelling any doubts which

might have collected about the natural inferences of common sense, it only adds to the reader's perplexity. The Rule in its consecrated form leaves the vaguest impression on the mind. A guess is the most one can make at the complement of the expression "insufficient," and as for the comma after "default" and the comma after "thereof," which merely serve to suspend the sense of the Rule and to interrupt the sequence of its parts, it is only by ignoring them that a meaning can be found at all.

See further observations under Rule 158.

Rule 158.

In the case of loans of money made upon securities valued at less than the market price, the lender shall realise his securities within Three clear days (unless the creditors consent to a longer delay), or take them at a price to be fixed by the Official Assignees (with appeal to any Two Members of the Committee). Should the security be insufficient, the difference may be proved against the Defaulter's estate.

It must be reluctantly conceded that this Rule also is drafted in such a negligent way as to leave a number of doubts upon the reader's mind. The case contemplated by the Rule is that in which the amount of the loan is less than the market value of the securities—that is to say, where "margin" has been exacted by the lender.

"Within three clear days" means "within three clear days of the borrower's declaration as a defaulter."

Alternatively to realising within the period stipulated, the lender must take over the securities, *i.e.*, purchase them, at a price to be fixed by the Official Assignee.

Where realisation is carried out, the difference, if any, between the proceeds and the amount of the loan will be payable to the Assignee or provable against the Defaulter's estate, as the case may be. Where the securities are taken over at the price fixed by the Official Assignee, it is the difference (if any) between the value of the securities as thus assessed and the amount of the loan that will require adjustment.

The Rule departs somewhat from precedent in omitting to indicate the principle upon which the Assignee should

proceed in fixing the price of the securities in the alternative case. Rules 88, 109 and 121 all declare the principle upon which the making-up prices are ascertained in the various cases which they govern. In the case contemplated by the present Rule the principle upon which the making-up price is fixed is clearly of vital interest.

"Insufficient" in the final period of the Rule means, of course, insufficient to produce by sale at the market price or by valuation at the Assignee's making-up price the full amount of the loan. That being so, the effect of this Rule upon a Defaulter's account is, in respect of secured loans, much the same as that of Rule 177 in respect of ordinary unsettled bargains when stock has not passed. Both Rules vary equally from Rule 157, in that they admit proof against the Defaulter's estate of any difference between the making-up price and the contract price, whilst Rule 157 simply recognises a preferential claim in respect of securities delivered and not paid for upon assets specially derived from such securities, or from the Defaulter's own resources, and limits any further claim to the difference between the amount so derived and the average value of the securities on the day of delivery, irrespective of the contract price, making such further claim, moreover, chargeable only, with claims of other creditors, upon any possible surety money of the Defaulter.

Rule 159.

No loan without security shall be admitted as a claim on the differences of a Defaulter's estate; nor shall any such loan, when of longer duration than two business days, be admitted as a claim on any other of his assets; and should any unsecured creditor receive payment of his loan from a Member on the day of his default, such payment being made out of assets not belonging to the Defaulter previously to that day, he shall refund the amount so received for the benefit of the Defaulter's estate.

All this is because such accommodation as a loan without security would give the borrower a false appearance of financial strength and enable him to speculate beyond his means, thus probably assisting his downfall. Responsibility would therefore attach to the lender, and his rights are reasonably postponed.

The preferential application of the differences due to or received by a Defaulter's estate is defined by Rule 156.

Although no unsecured loan when of longer duration than Two business days is admitted as a claim on any assets of the Defaulter, it must not be assumed that the existence of the debt would be ignored, *e.g.*, that a Defaulter could be announced as having paid 20s. in the £ who left such a debt unsatisfied.

Rule 160.

> Differences allowed to remain unpaid for more than Two business days beyond the day on which they become due, cannot be proved against a Defaulter's estate, or set off against any difference due to a Defaulter at the time of his failure. Differences overdue and paid previous to the day of default are not to be refunded.

This Rule resembles in principle that clause of the preceding Rule which disallows claims in respect of unsecured loans of a longer duration than Two days, for there is practical identity between an unsecured loan and an uncollected difference. There is also some correspondence with the various Rules relating to selling-out and especially with Rules 103 and 104, paragraph (d).

The periodical Settlement on The Stock Exchange is supposed to ascertain the solvency or insolvency of individual Members or of Firms, as the case may be. Overdue differences, therefore, would rank upon a solvent account if paid before default, and a Defaulter's estate could have no moral claim on them. If allowed to remain unpaid until default ensued, they would be open to the

same objection as an unsecured loan of a longer duration than two business days. (See Rule 159 above.)

Rule 161.

The Committee will not recognise any claim on a Defaulter's account that does not arise from a Stock Exchange transaction.

Where a Defaulter has outside debts, however, and bankruptcy ensues, the Official Assignee has more than once been compelled to hand over to the Trustees in Bankruptcy the Defaulter's bank balance, which, it will be observed on perusal of the Rules appointing his duties (174 to 180), he is not expressly instructed to collect.

A natural inference from this Rule is that all debts which *do* arise out of Stock Exchange transactions *will* be recognised. Rule 168, however, aims at making all claims of Non-Members conditional upon the recognition of The Stock Exchange creditors. (See remarks upon that Rule.)

It is the Committee that refuses to recognise claims arising out of transactions other than Stock Exchange transactions. The Law Courts, of course, may on occasion differ from the Committee.

Note.—The expression "on a Defaulter's account" is slightly ambiguous, as it might be understood to mean "on behalf of a Defaulter," instead of (as it does mean) "on a Defaulter's estate."

Rule 162.

No Defaulter shall be re-admitted who shall not, if required, give up the name of any principal indebted to him, or who, within Fourteen days from the date of his failure, shall not have delivered to the Official Assignees, or to his creditors, his original books and accounts, and a statement of the sums owing to, and by him, in The Stock Exchange at the time of his failure.

Compare this Rule with Rule 174, defining certain of the duties of the Official Assignees.

Rule 163.

A Member, having compounded with his creditors, and being subsequently declared a Defaulter, shall not be eligible for re-admission for Six months, and should he be declared in consequence of his having so compounded, his sureties shall not be called upon to pay their security money.

Declaration *in consequence* of compromise would ensue under the final clause of Rule 152, *q.v.*

Members accepting a composition are penalised under Rule 153.

Rule 164.

A Defaulter shall not be eligible for re-admission who shall not have paid from his own resources, independently of his security money, at least one-third of the balance of any loss that may occur on his transactions, whether on his own account or that of principals; or who, in the event of his debts being less than the amount which his sureties may be called upon to pay, shall not have refunded to the sureties one-third of the amount paid by them.

The Defaulter's *liability*, however, does not cease, even though he be re-admitted, until he has paid 20s. in the £. The Committee periodically enquire into his position, and order accordingly. It is a question whether, when once re-admitted, a Defaulter can be directly compelled to pay up the balance of his debts, but his re-election as a Member of The Stock Exchange for the ensuing year can, of course, be refused if he opposes the Committee's order.

Rule 165.

A Member who passes or retains a Ticket for shares or stock, whereby loss is incurred or increased, and who shall be declared a Defaulter in that account, shall not be eligible for re-admission for at least One year from the date of such default, provided it be proved to the satisfaction of the Committee that he knew

himself to be insolvent at the time of passing or retaining the Ticket.

This Rule has the desirable effect of penalising a possible simulation of solvency (once the Account has begun) by Members who know themselves to be insolvent. Its importance is emphasised by the special reference at the conclusion of Rule 171. (See also Rules 97, 103 and 104, paragraph d.)

Rule 166.

No Member shall carry on business for a Defaulter for his benefit, without the consent of the creditors, and the sanction of the Committee. No Member shall deal with a Defaulter on his own account before his re-admission to The Stock Exchange.

Where the Defaulter is a Broker, leave is usually granted for another Broker to carry on the business *pro tem.*

Rule 167.

No Member shall transact business for a principal who, to his knowledge is in default to another Member, unless such person shall have made a satisfactory arrangement with his creditors.

There is no general desire to transgress this Rule, but owing to the forbearance with which unpunctual clients are usually treated by their Brokers, and to the discretion which is observed as to their names and means, one outside principal will often make dupes of a number of inside Brokers.

Rule 168.

Non-Members shall be allowed to participate in Defaulters' estates, provided their claims be admitted by the creditors, or, in case of dispute, by the Committee; and a person whose claim is so admitted may be represented at the meeting of creditors by any Member whom he may select.

The above tempers the non-recognition of Rule 53.

It must be remembered that by Rule 161 the Committee absolutely refuse to recognise any claim "on a Defaulter's account" that does not arise from a Stock Exchange transaction; but *bonâ-fide* claims of Non-Members arising from genuine Stock Exchange transactions do as a matter of fact invariably receive full recognition. Such recognition is in reality only conditional upon the genuineness of the transactions and the good faith of the Non-Member. The caution apparent in the terms of the Rule seems to contemplate the manœuvre of a Non-Member putting forward claims nominally on his own behalf but actually on behalf of the Defaulter.

At the same time there are certain contingent assets of a Defaulter's estate which are usually reserved to the use of The Stock Exchange, and upon which an outsider's claims would not be suffered to rank. Such, for instance, would be:—

(1) Any surety-money accruing under Rule 22;

(2) Any moneys refunded by Members under Rule 155 in order to equalise the dividends of Stock Exchange difference creditors.

The outside creditor has, on the other hand, this advantage—that he is not bound by Rule 155, which compels *Member* creditors who may have received "a larger proportion of differences . . . than that to which each of the creditors is entitled" to refund such preferential part.

Further, if he be the client of a defaulting Broker, he can complete his contracts with the Broker's Stock Exchange principals. In that case he will be quite unaffected by the hammer prices, and can, of course, have no interest in the differences which they set up.

The client's position in respect of *open* engagements is discussed more fully under Rule 177. It may be stated here that where a Broker defaults after receiving payment of securities delivered on behalf of a client, the position of The Stock Exchange principals is not affected, but the

proceeds of the securities in question (if actually due to the client and not merely applicable in discharge of debts due by him) may, in the event of the Defaulter being made a bankrupt, be "followed," and, in so far as they can be traced and identified, may be specifically claimed by the client. In such a case the Broker is looked upon as a trustee of the money proceeding from the sale of the securities. Similarly, he would be considered a trustee of securities delivered to him for account of a client who had bought and paid for them. Any such securities would at once be appropriated to the client by the Official Assignee.

Rule 169.

No Member being a creditor upon a Defaulter's estate, shall sell, assign, or pledge his claim on such estate, to a Non-Member, without the concurrence of the Committee, and such assignment shall be immediately communicated to the Official Assignees.

Rule 170.

If a creditor of a Defaulter be dead, the dividend due to him shall be paid to his legal representative; but if the creditor himself be a Defaulter, the dividend due to him shall be paid to his creditors.

Rule 171.

Upon any application for the re-admission of a Defaulter, a Sub-Committee, of not more than Three Members, to be chosen in alphabetical rotation, shall investigate his conduct and accounts; and no further proceedings shall be taken by the Committee with regard to his re-admission, until the Report of such Sub-Committee shall have been submitted, together with a balance sheet of the Defaulter's estate, signed by himself.

The attention of the Sub-Committee shall be directed,

1st.—To ascertain the amount of the greatest balance of shares or stock open at any time during the Account, the current balance at his bankers, as well as the balance of shares or stock open at the

time of failure; and whether the transactions were on his own account, or on account of principals, specifying the amount of each respectively.

2nd.—To ascertain the total amount of money paid by him; specifying the sums collected in The Stock Exchange; and those received from principals; and the money or other property brought forward by himself.

3rd.—To ascertain the conduct of the Defaulter preceding and subsequent to his failure; and to enquire of the Official Assignees whether any matter, prejudicial or otherwise to the Defaulter's application, has transpired at any meeting of creditors, or has officially come to their knowledge elsewhere.

4th.—To ascertain whether the Defaulter has violated Rule 165.

In the business of the Committee, that relating to the re-admission of Defaulters takes precedence, under Rule 36, of all mere admissions and re-elections.

The posting of notices upon application for re-admission is regulated by Rule 35.

The expression "during the Account" (in the sub-paragraph designated "1st") means "during the Account in which the default took place."

Rule 172.

The re-admission of Defaulters shall be in two distinct Classes:—

The *First* Class to be for cases of failure arising from the default of principals, or from other circumstances, where no bad faith nor breach of the Regulations of the House has been practised; where the operations have been in reasonable proportion to the Defaulter's means or resources, and where his general conduct has been irreproachable.

The *Second* Class, for cases marked by indiscretion, and by the absence of reasonable caution.

The decision of the Committee on the re-admission of a Defaulter shall remain posted in The Stock Exchange for Thirty days.

By Rule 35 it may be decided to post the Defaulter's name in The Stock Exchange as having paid 20s. in the £, without placing it in either of the two classes described above.

Note.—The expression "*nor* breach of the Regulations" is a grammatical impropriety for "*or* breach of the Regulations."

Rule 173.

Every Defaulter, bankrupt, or insolvent (applying for re-admission), shall furnish the Sub-Committee with every information they may require.

OFFICIAL ASSIGNEES.

N.B.—In an appeal from the judgment of Mr. Justice Mathew in the case of Levitt and Thornton *v.* Hamblet, it was declared by the late Sir A. L. Smith, M.R., that Rules 174 to 180 inclusive did not apply to outsiders at all, but merely to the internal economy and arrangements of The Stock Exchange.

Rule 174.

Two or more Members shall be appointed annually by the Committee, to act as Official Assignees, whose duty it shall be to obtain from a Defaulter his original books of account, and a statement of the sums owing to and by him, to attend meetings of creditors, to summon the Defaulter before such meetings, to enter into a strict examination of every account, to investigate any bargains suspected to have been effected at unfair prices, and to manage the estate in conformity with the Rules, Regulations, and usages of The Stock Exchange.

The demand of the Assignees for surrender by the Defaulter of his original books of account and for a statement of the sums owing to and by him cannot be withstood by any Member who contemplates re-admission (*vide* Rule 162, *ante*).

Rule 175.

Each Official Assignee shall find security amounting to £1,000 from Two or more Members of The Stock Exchange. In the event of any default or misappropriation by either Assignee of funds or property entrusted to his care, or of any other act of dishonesty

on his part, each of his Sureties shall pay, under direction of the Committee, such sum as he shall have guaranteed.

Rule 176.

The Assignees shall collect and pay the assets into such Bank, and in such names, as the Committee may from time to time direct, and the same shall be distributed as soon as possible.

Rule 177.

In every case of failure, the Official Assignee shall publicly fix the prices current in the Market immediately before the declaration, at which prices all Members having accounts open with the Defaulter shall close their transactions by buying of or selling to him such stocks, shares or other securities as he may have contracted to take or deliver, the differences arising from the Defaulter's transactions being paid to, or claimed from the Official Assignee. In the event of a dispute as to the prices named, they shall be fixed by Two Members of the Committee, but no objection will be entertained unless written application is made to the Official Assignee within two business days of the time when the list was posted in The Stock Exchange.

The effect of this Rule is to reduce the Defaulter's account to a list of cash "differences" due to or by his estate.

The situation of a Defaulter's account as ascertained by the operation of the Rule, will be best illustrated by considering, without relation to the position of outsiders, the several cases in which default may occur. It may be stated, however, that procedure in any particular instance is greatly affected by accompanying circumstances, and that the discretion of the Assignee is large and controlling. The following examples and observations, therefore, are only intended to illustrate the general policy pursued in the ordinary circumstances of default, and not as suggesting that alternative procedure is precluded.

(a) If the Defaulter has bought or sold stock for which no Ticket has been passed, and of which delivery has not been effected, the bargain must be "closed" under the present Rule at the "hammer" price between him and his immediate seller or buyer on The Stock Exchange, and any difference that may result must be paid to or claimed from the Official Assignee, as the case may be. (If the Defaulter be a Broker, the procedure may be modified by completion of the contract on the part of his client. *Vide* p. 168, *post.*)

(b) If the Defaulter be either the issuer of a Ticket for stock bought or the holder of a Ticket for stock sold, and neither delivery nor payment has taken place, the same process of adjustment is employed between the Defaulter's account and the account of his principal on The Stock Exchange. (The procedure is modified where a client of the Defaulter completes the contract with the Defaulter's principal on The Stock Exchange. *Vide* p. 168, *post.*)

(c) If the Defaulter be an *intermediary*, and a Ticket has passed through him from his buyer to his seller, the transaction is already "closed" according to Stock Exchange ideas; only, the difference, if any, between the price at which the Ticket circulates and the contract price is paid to, or claimed of, the Official Assignee, as the case may be.

(d) If the Defaulter has taken delivery of securities for which he has not made due payment, the transaction is settled under Rule 157 *(q.v.)*.

The mutual relations of a Defaulter and his principals in The Stock Exchange are thus clearly defined in so far as they are affected by the claims and liabilities of Members only. But it is evident that where (1) a Defaulter chances to be the immediate principal of a Broker acting as agent for a client, or where (2) he is actually a Broker so acting—then the situation is complicated by the claims which may be made by or upon *outside* principals.

Opinion inclines to the theory that where *The Stock*

Exchange principal of a Broker fails, the latter, though bound to comply within the "House" with the requirements of Rule 177, has, strictly, no liability to his outside principal in respect of money due by the Defaulter and not paid. If, for example, X, a Broker, sells 100 shares for Z, a client, to Y, a Jobber, at 5, and Y defaults, then X must settle his account on The Stock Exchange (according to the particular circumstances) as indicated in one of the four illustrative cases given above—(a), (b), (c), or (d). But it is contended that in none of the cases need X hold himself responsible to Z for fulfilment of the original contract with Y, the argument being that he merely acted as Z's agent. In cases (a) and (b) delivery does not take place; if the "hammer" price be 3, X ranks as a creditor on Y's estate for £200, and any dividend which he may receive in respect of such claim will be passed on to Z; but the other £300 which Z would have received had no default taken place will be represented by the One hundred undelivered shares—valued by the Assignee at the time of Y's declaration at £3 per share. Into cases (c) and (d) the "hammer" price does not enter, X's claim in the one case (after delivery) being for a difference regulated by whatever may happen to have been the price at which the Ticket was passed through the accounts, and in the other case (preferentially) for the average value of the shares on the day of delivery (*vide* Rule 157, *ante*). In the two last cases Z would receive whatever satisfaction X could secure from the estate, and might possibly have grounds for further claims.

The doctrine of non-liability (upon which a conclusive dictum is still awaited) is somewhat compromised by the action of Brokers in assuming towards their clients, where it is to their interest to do so, the responsibility of principals. *In practice* X would probably take over the contract between Z and Y by paying Z £500 for his shares, *providing Z's business were of such importance as to be worth retaining at the price.*

When a *Broker* fails, the contractual relationship between his client and his principal on The Stock Exchange is disclosed, and completion of the contract can be enforced by either party providing that specific appropriation to the client of the securities in question has been duly made by the Broker. Until recently there was a popular superstition that the client had a right of option either to have his bargain "closed" at the "hammer" price or carried out at the contract price. This superstition has been dispelled by several important cases, amongst them Levitt and Thornton *versus* Hamblet, alluded to on page 161. That was a case in which the client refused to take delivery of certain shares which he had contracted to purchase through a Broker who subsequently defaulted on The Stock Exchange. The Jobbers with whom the Broker had dealt became, under the operation of Rule 177 [see (a) above], "bulls" of the shares in so far as they were obliged to take them back of the Defaulter's estate at the "hammer" price. On the ensuing Settling-day the Jobbers called on the Defaulter's client to complete the contract, and tendered delivery of the shares. The client refused to complete, and the Jobbers sold the shares in the market (at a price which happened to be considerably below both the contract price and the "hammer" price) and sued the client for the difference between the price so obtained and the contract price. One of the grounds of the client's refusal was that he had an option either to complete the bargain at the contract price or to close it at the "hammer" price, and that he chose the latter alternative. It was held that there was no usage establishing such an option, and the judgment of Mr. Justice Mathew in favour of the plaintiffs was affirmed by the Court of Appeal.

Only by mutual agreement can the contract between a Defaulter's client and a Member of The Stock Exchange be determined by the fall of the hammer. The fulfilment of a contract can be enforced at law by either party, but the Member must, before proceeding, obtain the consent

required by Rule 54. To the Defaulter's estate it would not be a matter of importance whether the contract were regularly carried out or whether it were determined by the mutual adoption of the "hammer" price, but to either of the principals it might be a circumstance of the greatest concern. For, although the "hammer" price may be the price "current in the market immediately before declaration," yet (1) the market may not remain stationary, and (2) the "hammer" price may not really be a current price, that is to say, one at which business can actually be done—it may be only a *nominal* price. In either of these two cases it would be to the advantage of one of the principals that the contract should be fully carried out, and to the advantage of the other that the engagement should be "closed" at the "hammer" price. For example, where the outside principal had bought through the Defaulter and The Stock Exchange principal had sold (see p. 168), then if, immediately after the declaration, the market price fell below the "hammer" price or if there were no market in the security in question and only a nominal price, it would be to the advantage of The Stock Exchange principal that the contract should be regularly completed by delivery to the outside principal against cash payment, and to the advantage of the outside principal that the bargain should be "closed" at the "hammer" price. The latter course would leave the stock on the hands of The Stock Exchange principal, the former would leave it on the hands of the outside principal, and in either case the market would be adverse to the holder.

Non-Members do not always appreciate the effect which privity of contract between client and Jobber may produce upon the former's position. For example, a client who has both bought and sold the same stock through the same Broker for the same date of settlement, may probably assume, in the event of the Broker's failure, that the account can be settled by the mere payment of a difference. This is not necessarily so. For, supposing

the Broker to have effected the purchase from one Jobber and the sale to a different one, then there is privity of contract between the client and each of the two Jobbers, and in each case the contract can be enforced. The situation was well illustrated in the case of Stoneham and Messenger *v.* Wyman, heard before Mr. Justice Mathew in the Commercial Court (June, 1901). It was an action brought by Jobbers on The Stock Exchange to recover damages for the defendant's failure to accept and pay for 100 Lake View shares, which the defendant's Broker had bought of the plaintiffs on his behalf and instructions, and which had been carried over from time to time, the last occasion being on December 11th, 1899, when they were carried over to the end-December account at 16⅝. On December 14th, the Broker was declared a Defaulter, and the hammer price was fixed at 15⅛. The defendant refused to accede to the plaintiffs' request to appoint a Broker to whom the Lake View shares might be delivered, basing his refusal on the grounds that, having on the 13th December (the day before the default) sold through the original Broker 200 Lake View shares at 14⅝, his only liability was for a difference of £2 per share. The sale, however, was not made to the plaintiffs but to another Jobber. At the end-December account the defendant took no further steps, and in January the plaintiffs sold the shares in the market at 11$\frac{11}{16}$. Judgment for the plaintiffs for the amount claimed, £495, with costs.

Previous to bringing the above action the plaintiffs had actually received from the Defaulter's estate the difference between the contract price (16⅝) and the hammer price (15⅛), viz., £150, and it was argued for the defence that the acceptance of this dividend (the Defaulter paid 20s. in the pound) amounted to an election on the part of the plaintiffs to treat the Defaulter as their principal, and that the defendant was consequently discharged. The Judge pointed out that there were no grounds for alleging such an election in this case; that the liquidation had been carried out in

the ordinary course of Stock Exchange routine; that the plaintiffs could not help themselves in the matter, and that, finally, they would have to account to the Official Assignee again for the difference between the value at the contract price and the value at the hammer price, if they received any larger sum.

Other notes upon the position of the client when his Broker fails will be found under Rule 168.

Where a Member has sold to a defaulting Broker at a price which proves to be *above* the "hammer" price and the Defaulter's outside principal completes the bargain by paying for the securities at such price, then the Member in question (the Defaulter's seller) must hand over to the Official Assignee, as a contribution to the *general* fund of differences, the difference between the value at the "hammer" price and the value at the price paid by the outside principal (the Defaulter's client). *E.g.*, if the contract be carried out at 50 and the "hammer" price be 45, the Defaulter's principal on The Stock Exchange must account to the Assignee for £5, and prove against the estate for that sum.

If, in a similar case, the price at which the client completes should prove to be *below* the "hammer" price, the Defaulter's seller would be involved in no loss by having had to buy back under the provisions of this Rule at a higher price than that at which he has to part with the securities to the client, for, although he might previously have had to pay over the difference on the account being thus "closed," this payment would be made good to him again by the Assignee on the completion of the contract by the client. The other course would be manifestly inequitable; for, if the Defaulter's seller is paid by the outside principal at 50, but has to credit the estate at 55 (the "hammer" price), he is surrendering £5 to the general fund of differences, although upon that fund he himself does not rank as a creditor. It is only when the Defaulter is an intermediary between two Members of The Stock

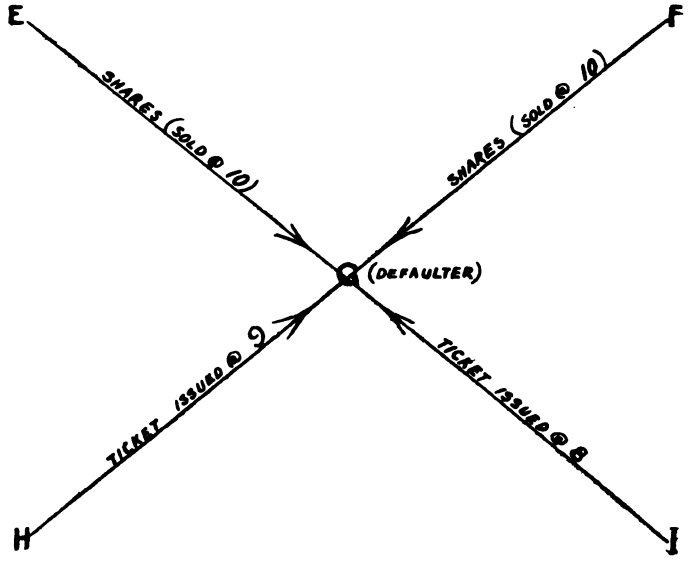
Exchange that such a situation is equitable, for then the Defaulter's seller in buying back at 55 (the "hammer" price) re-enters into possession of the securities at the approximate market price (the price "current in the market immediately before the declaration") at which price they would (theoretically, at least) be realisable.

Again, where a Member has effected a purchase from a Broker who subsequently defaults and the "hammer" price is below the contract price, but the bargain is duly carried out by the Defaulter's client at the contract price, then also any difference which The Stock Exchange principal may have had to pay over to the estate in compliance with the present Rule, would be refunded by the Assignee.

If, however, in such a case the "hammer" price is *above* the contract price, then The Stock Exchange principal, on completion by the client at the contract price, pays over to the estate, as a contribution to the general fund of differences (upon which he already ranks for dividend), the difference between the "hammer" price and the contract price, so that he may be in no better position than the other "difference" creditors. (See Rule 155.)

It may not be irrelevant to point out in this place that although the general tenor of the Rules relating to failures is to give equality of rank to the individuals of each class of creditors, nevertheless the methods by which "differences" are established may unduly favour one difference creditor as compared with another. For suppose E and F (themselves intermediaries) have each sold a number of non-clearing shares in the same Company at the same price to G (another intermediary), who fails after Tickets have passed along the trace, then it is possible (and, should there have been rank speculation in the shares, it is practically certain) that there will be a discrepancy between the prices of the Tickets received by E and F through the intermediary of G. This discrepancy is purely accidental, and is manifestly inequitable. If E and F both contracted at 10, and the Ticket which E receives is priced at 8 whilst

that which F receives is priced at 9, then on G's default E will be paid at 8 by the issuer of the Ticket which he holds, and F at 9 by the issuer of that which is held by him. E becomes a creditor on G's estate for £2 per share and F for £1 per share, although E and F made exactly similar contracts with G. As the assets of a Defaulter are not usually sufficient to meet his liabilities, it is obvious that F's position is (accidentally) more advantageous than E's.



Rule 178.

The Official Assignees shall not claim differences on a Defaulter's estate, until they become due.

The differences are *ascertained* at once, and depend upon "the prices current in the market immediately before the declaration" (of default), but they do not become payable until the maturity of the bargains to which they relate.

Rule 179.

The Official Assignees shall not admit any claims upon a Defaulter's estate arising out of transactions which are stated in the Rules as not recognised until all other claims have been paid in full, but they shall forthwith collect and distribute amongst the creditors all assets arising from such transactions.

Recognition of claims that do not arise out of Stock Exchange transactions is positively refused by the Committee under Rule 161. The following Rules are those which particularise transactions upon which claims would be postponed under the present Rule:—

Rule 60 *re* dealings in letters of allotment.

Rule 64 *re* dealings in prospective dividends.

Rules 79, 90, and 113 *re* dealing for future Account.

Rule 93 *re* delivery of registered securities by transfer in blank.

Rules 108 and 127 *re* disputes in respect of unchecked claims for new shares or stock in right of old.

Rule 180.

Once in every month, the Official Assignees shall lay before the Committee an account of the balances in their hands belonging to Defaulters' estates, and the Committee shall order such balances as they think fit to be paid over to the account of the Trustees of The Stock Exchange Benevolent Fund, subject to recall by the Committee for distribution amongst creditors, or for payments by or to the Official Assignees which have been authorised by the Committee.

A statement of all sums so paid over, and of the amount remaining in the hands of the Trustees of The Stock Exchange Benevolent Fund on the 31st of December in every year, shall be furnished by the Official Assignees, and deposited in the Committee Room, for the inspection of the Members of The Stock Exchange.

On the first of March, in each year, the Official Assignees shall lay before the Committee a state-

ment of all dividends paid during the last year on each Defaulter's estate.

Every Defaulter's estate shall be registered in a book, to be kept by the Official Assignees.

The first paragraph of this Rule is illustrated by the balance sheet of The Stock Exchange Benevolent Fund, which, as presented in December, 1901, for example, showed the following items amongst its "liabilities":—

"Moneys belonging to the Estates of "Defaulters, divided as follows:—		
"Amount unlikely to be claimed .	£7,559 1 5	
"Amount expected to be claimed .	4,072 12 9	
		£11,631 14 2
"Money received from the Official "Assignees under Rule 180		£5,000 0 0"

Rule 181.

Legal expenses incurred on account of a Defaulter's estate shall be deducted from the sum available for distribution among the creditors.

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